



NATIONAL
ASSOCIATION *of*
REALTORS®

Economic and Housing Outlook

By Lawrence Yun, Ph.D.

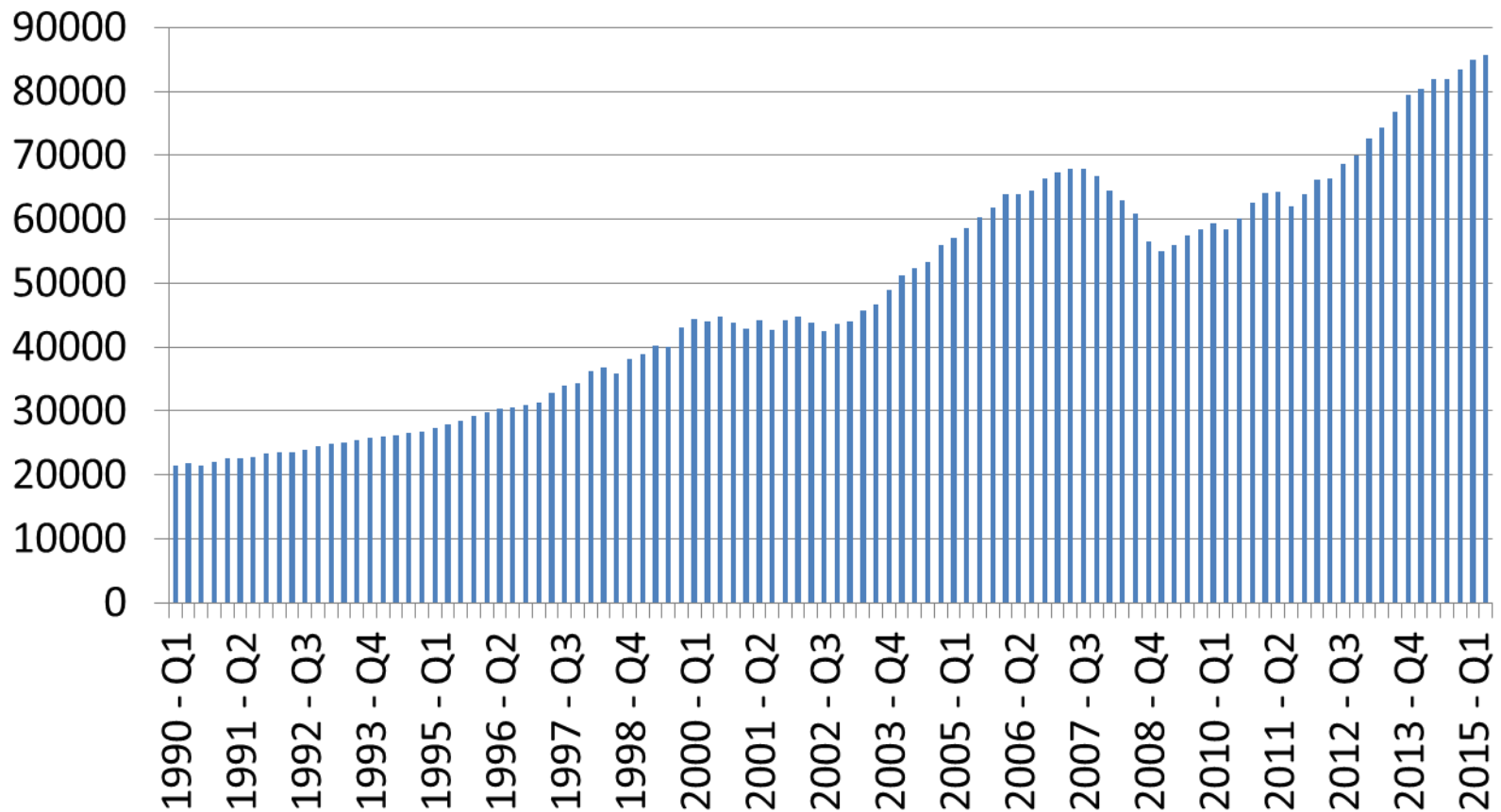
Chief Economist, National Association of REALTORS®

Presentation at NAR Annual Meetings

San Diego, CA

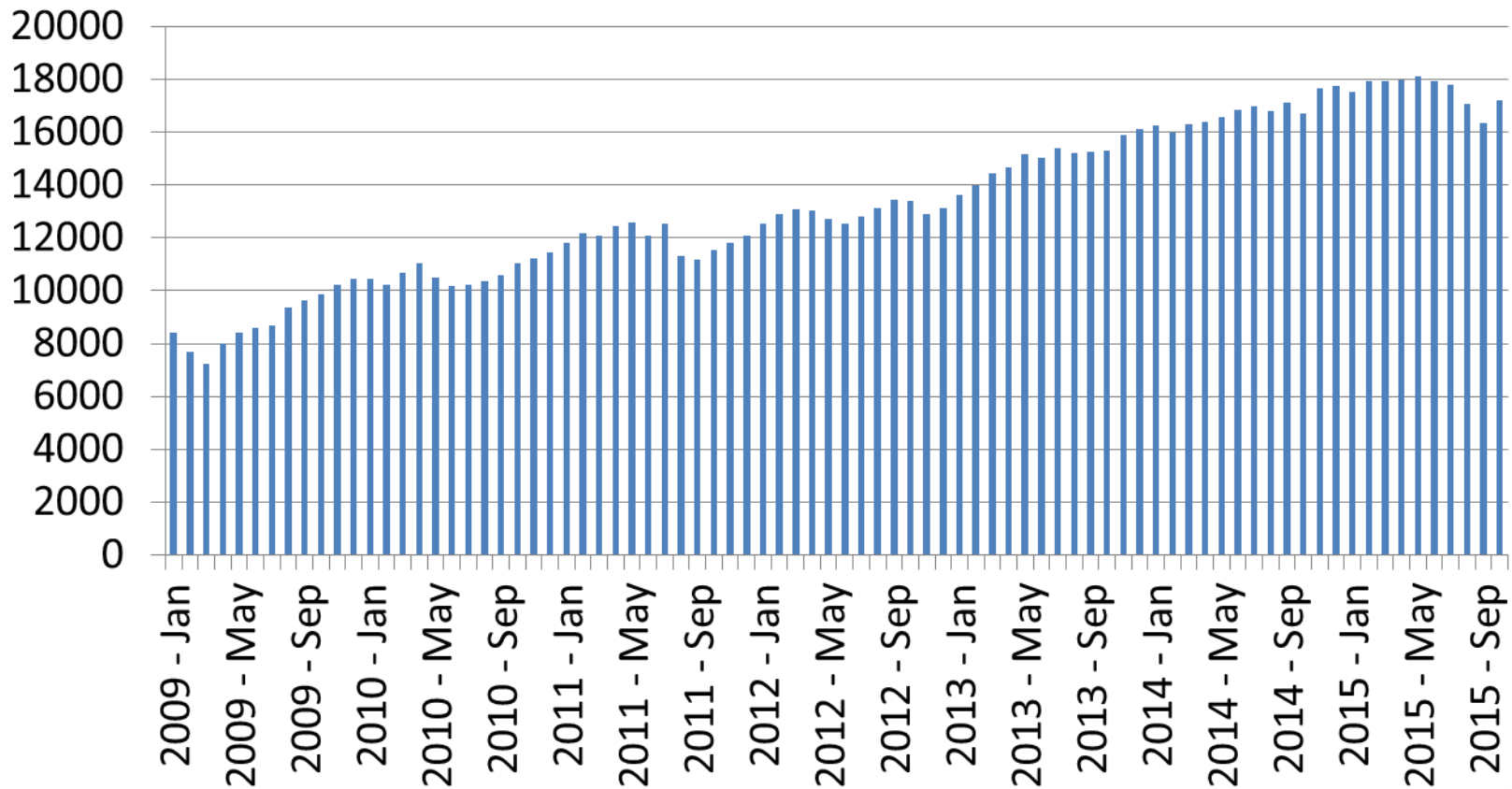
November 13, 2015

Lifetime Wealth at All-Time High



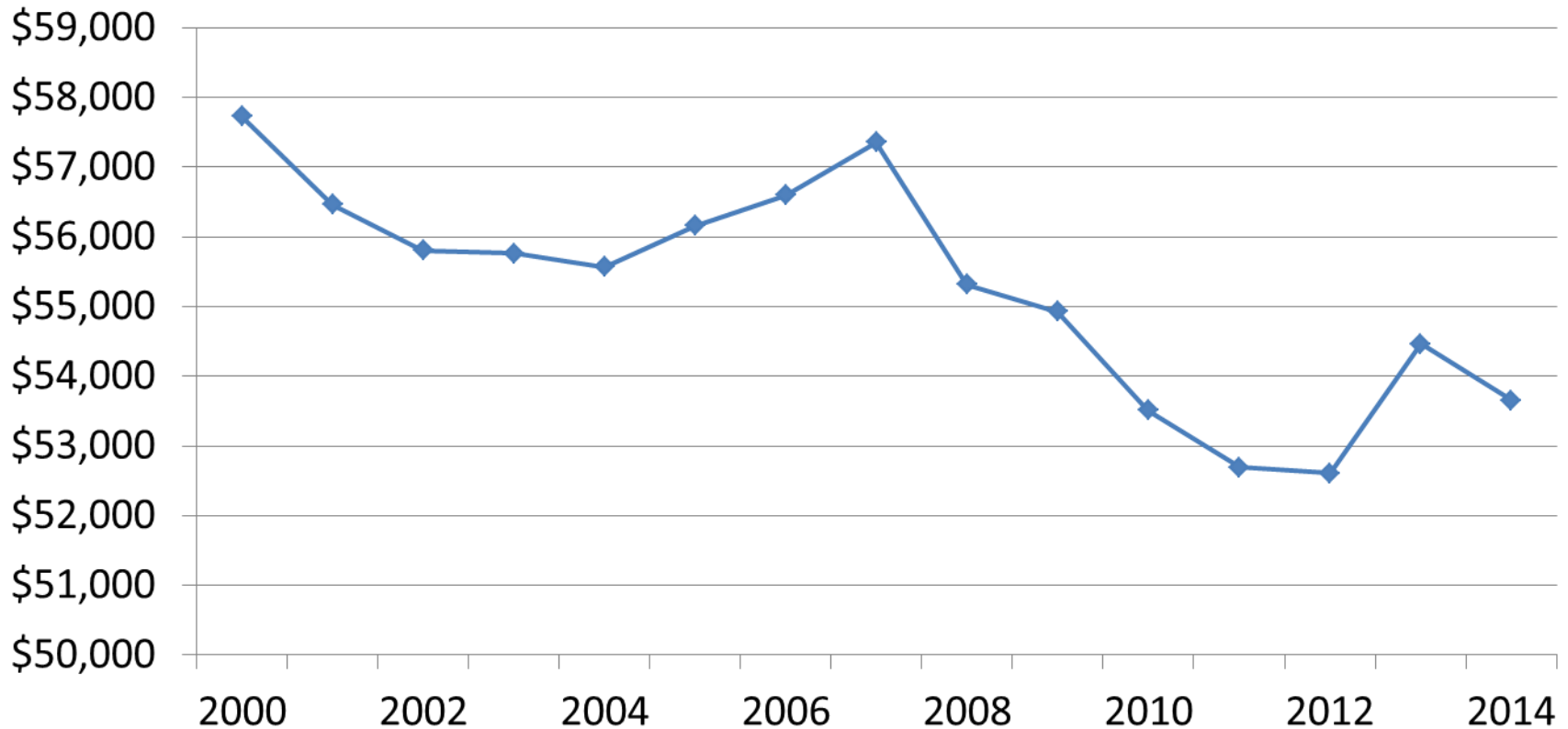
Dow Jones Industrial Average

(Doubling since 2009)



Median Household Income

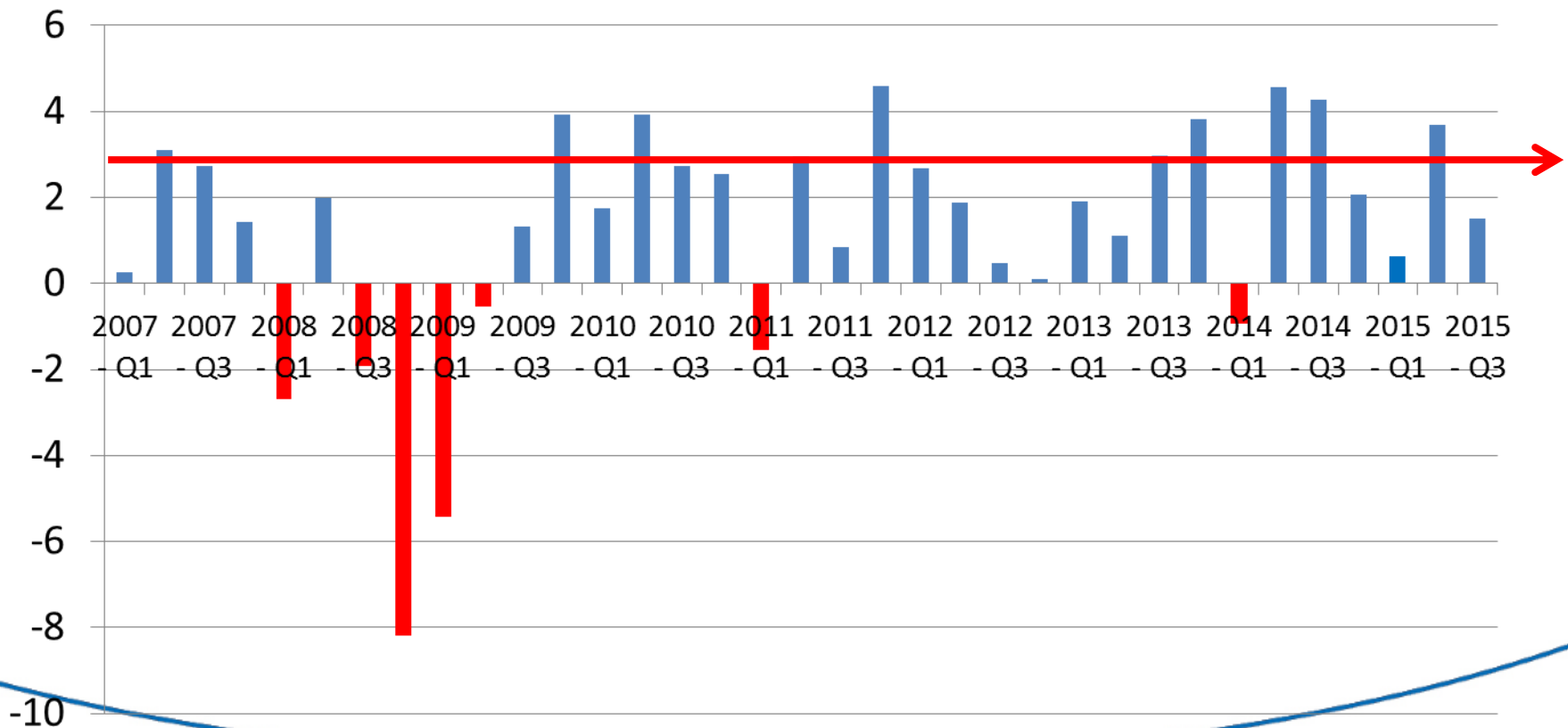
(Inflation Adjusted)



GDP Growth

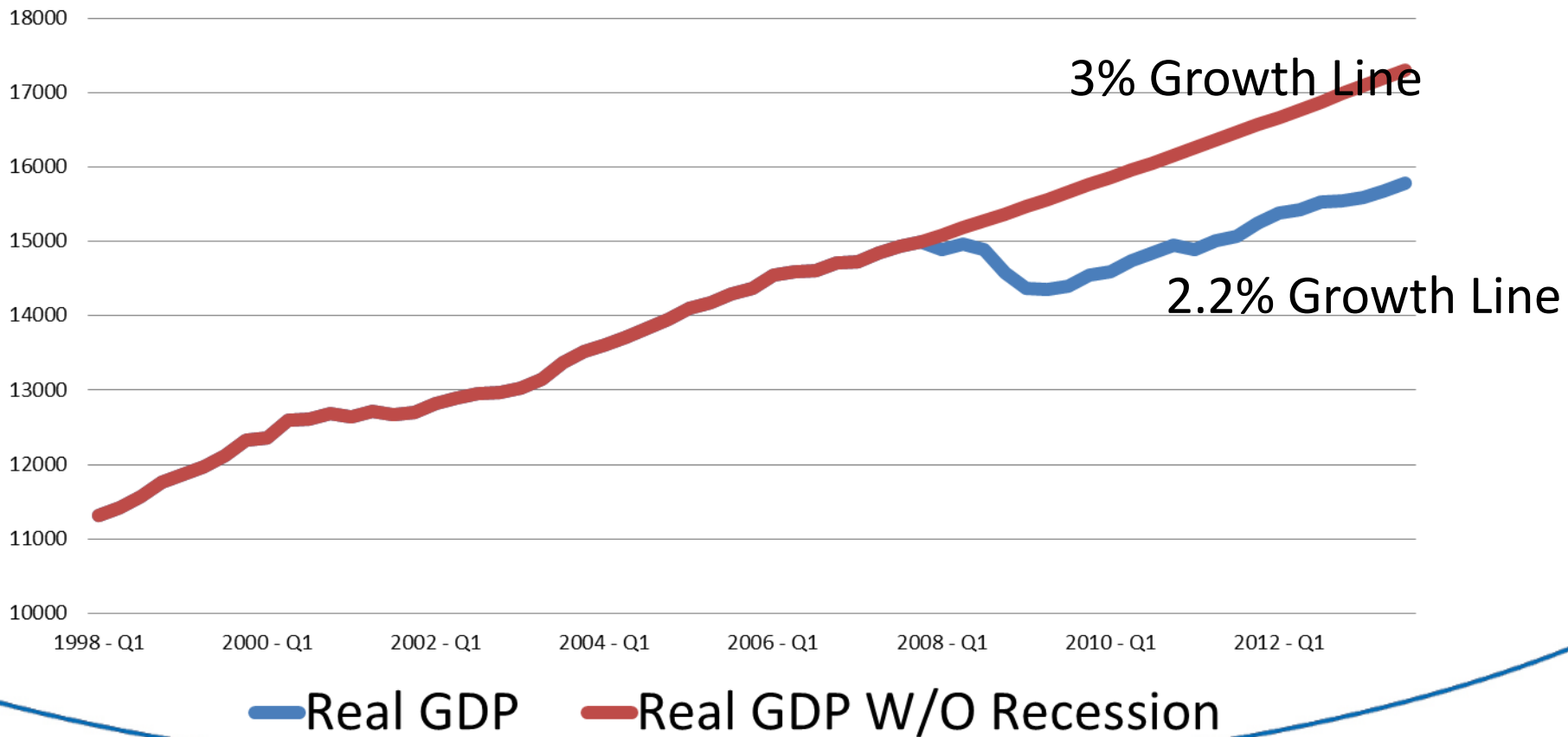
Inconsistent with 2.2% average since 2014

Annualized Growth Rate

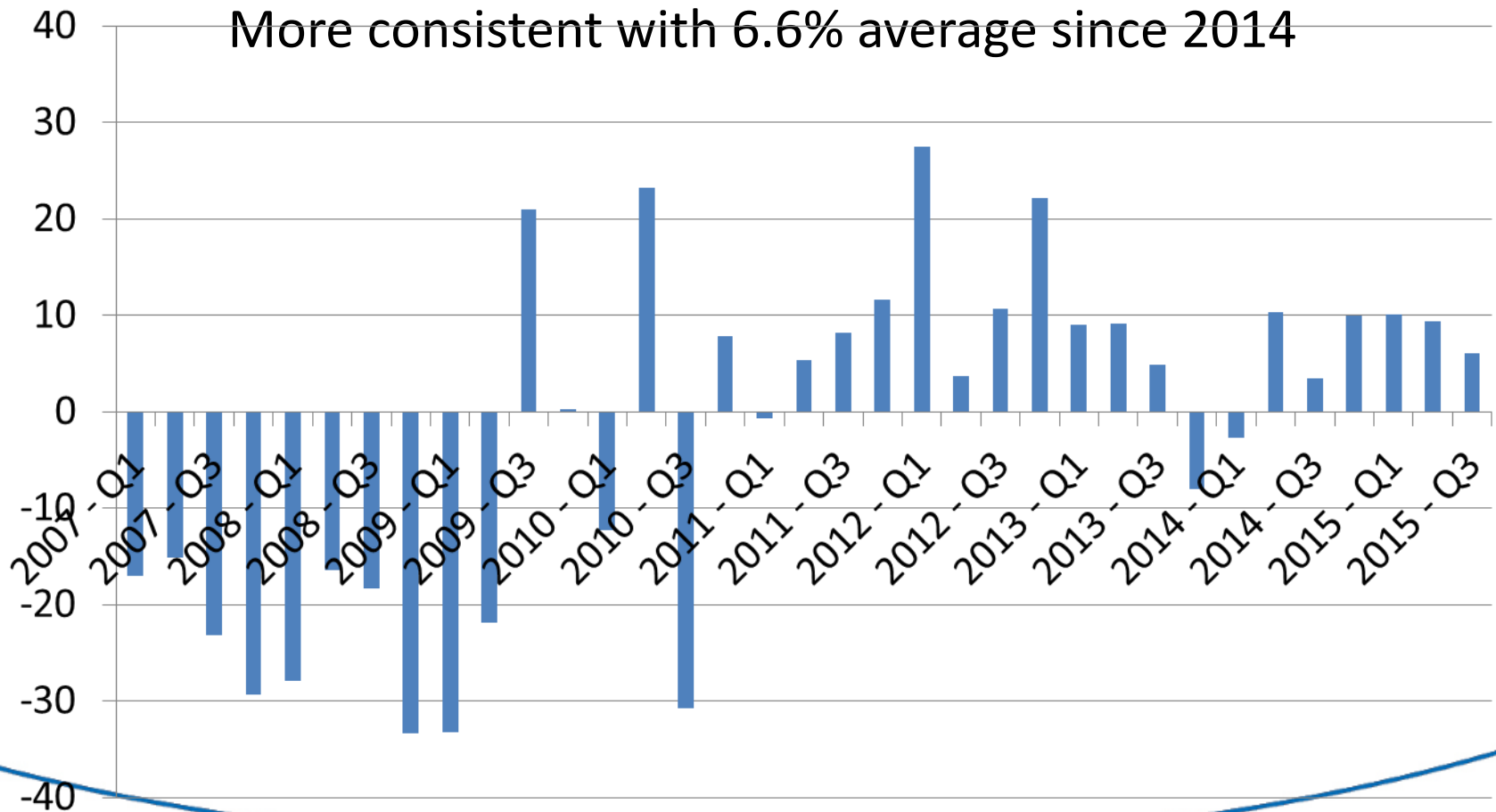


Sluggish Growth + Gap after Recession

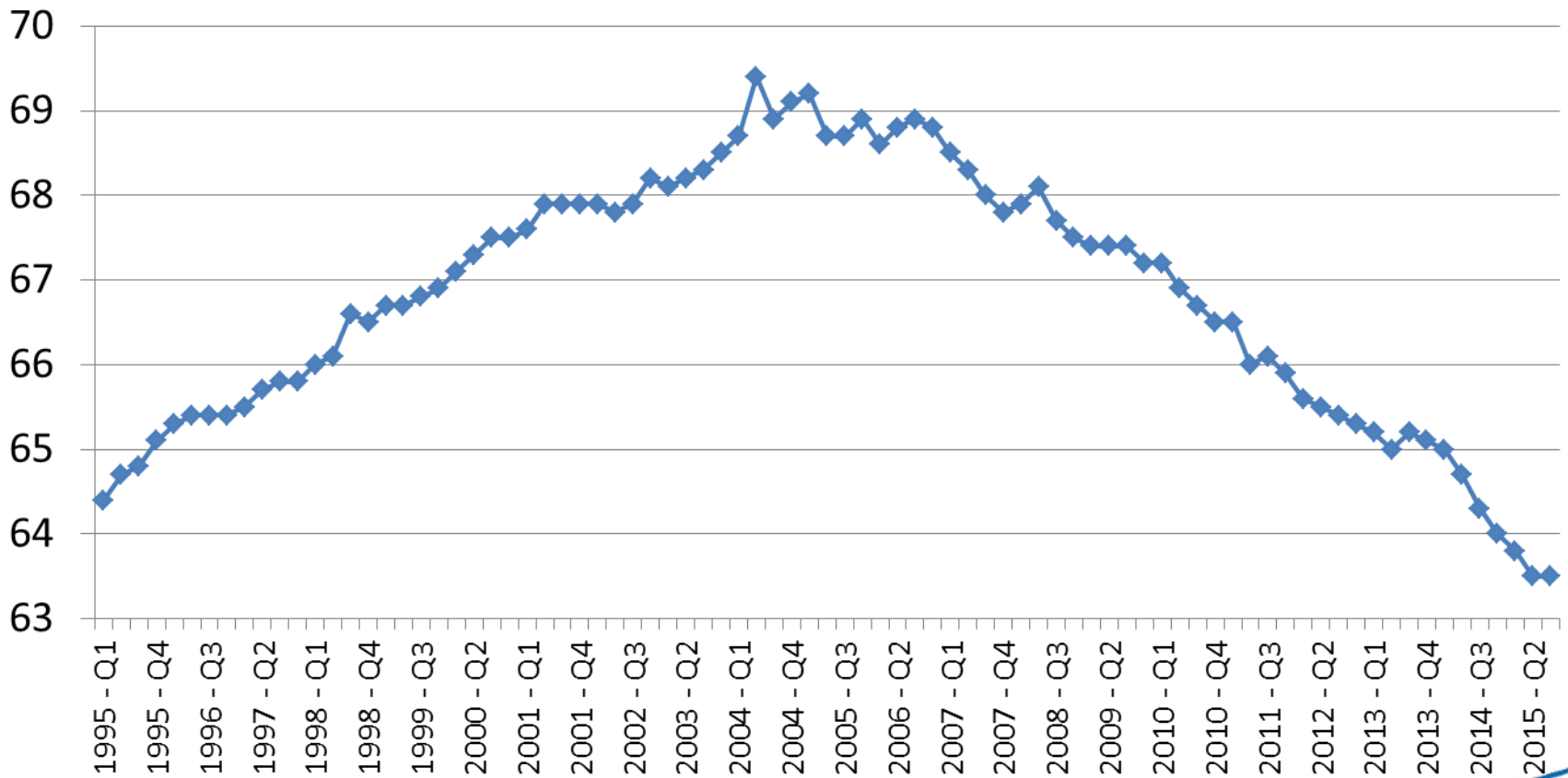
(\$1.7 trillion gap, \$5,000 per person)
GDP in 2009 Dollars



GDP Component on Residential Construction and Sales

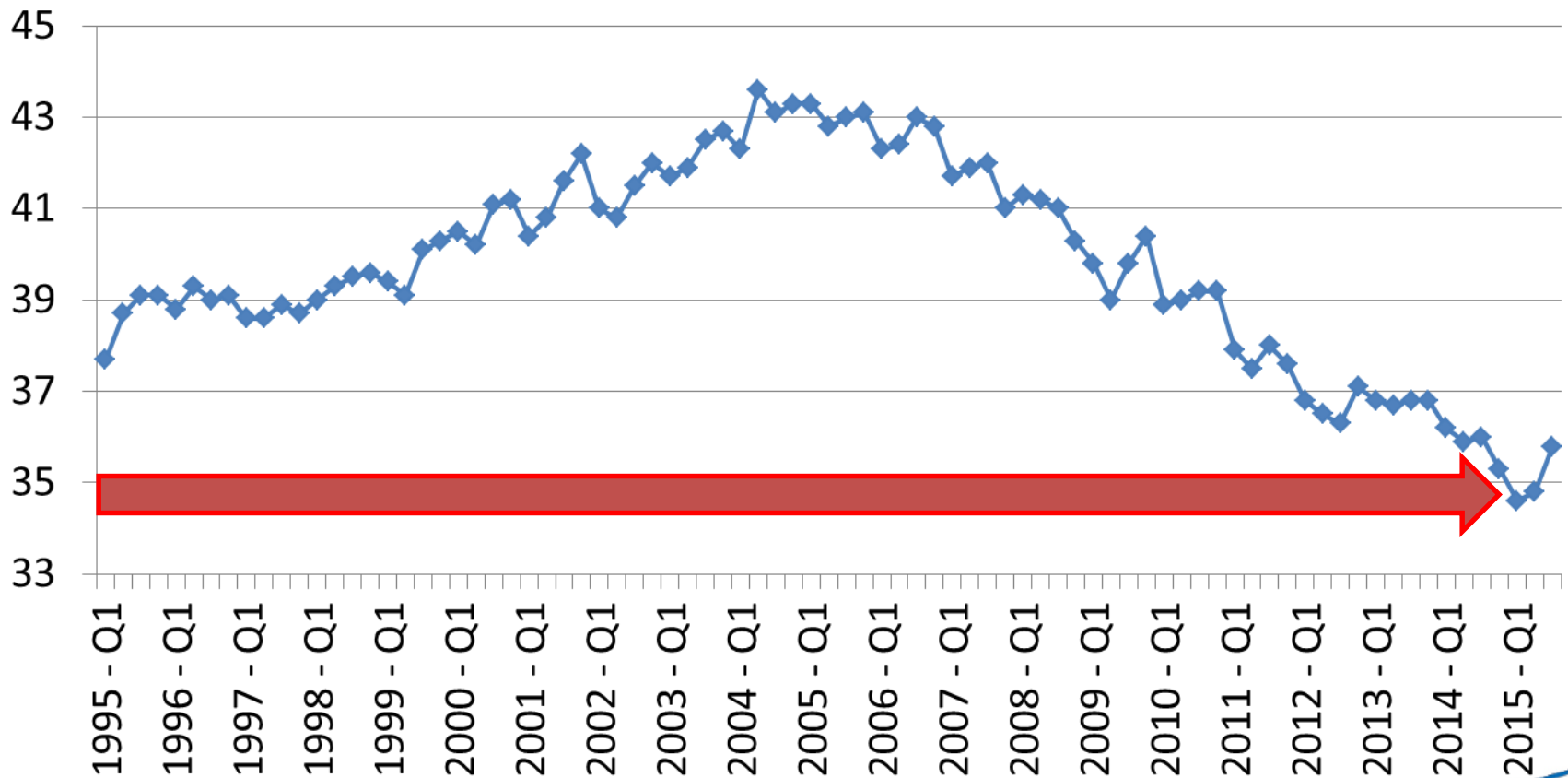


Homeownership Rate (seasonally adjusted ... 50-year low)



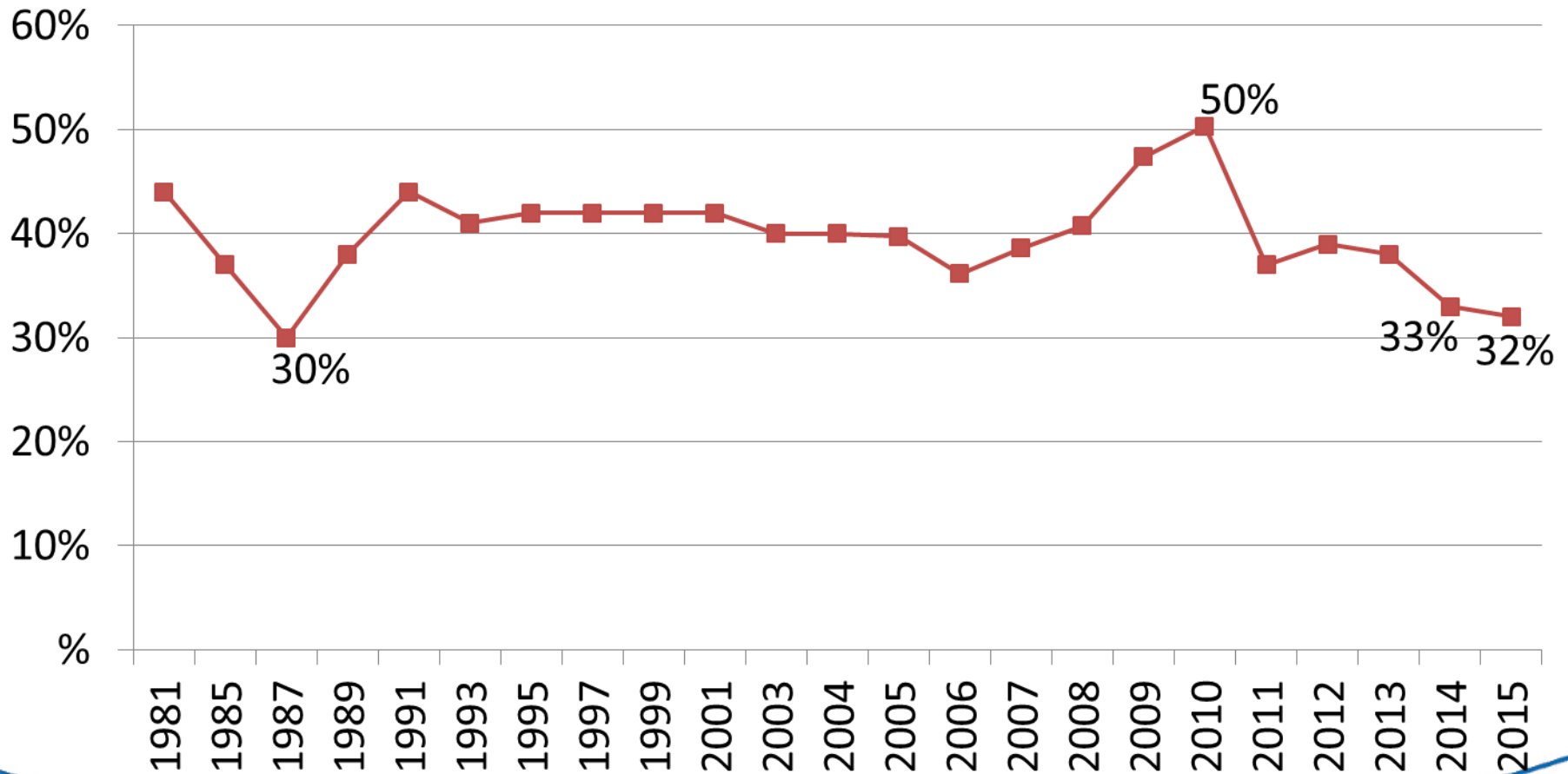
Young People: Under 35 years old

Historic Low Homeownership Rate



First-time collapse ... why?

Lowest in nearly 30 years ... since 1987

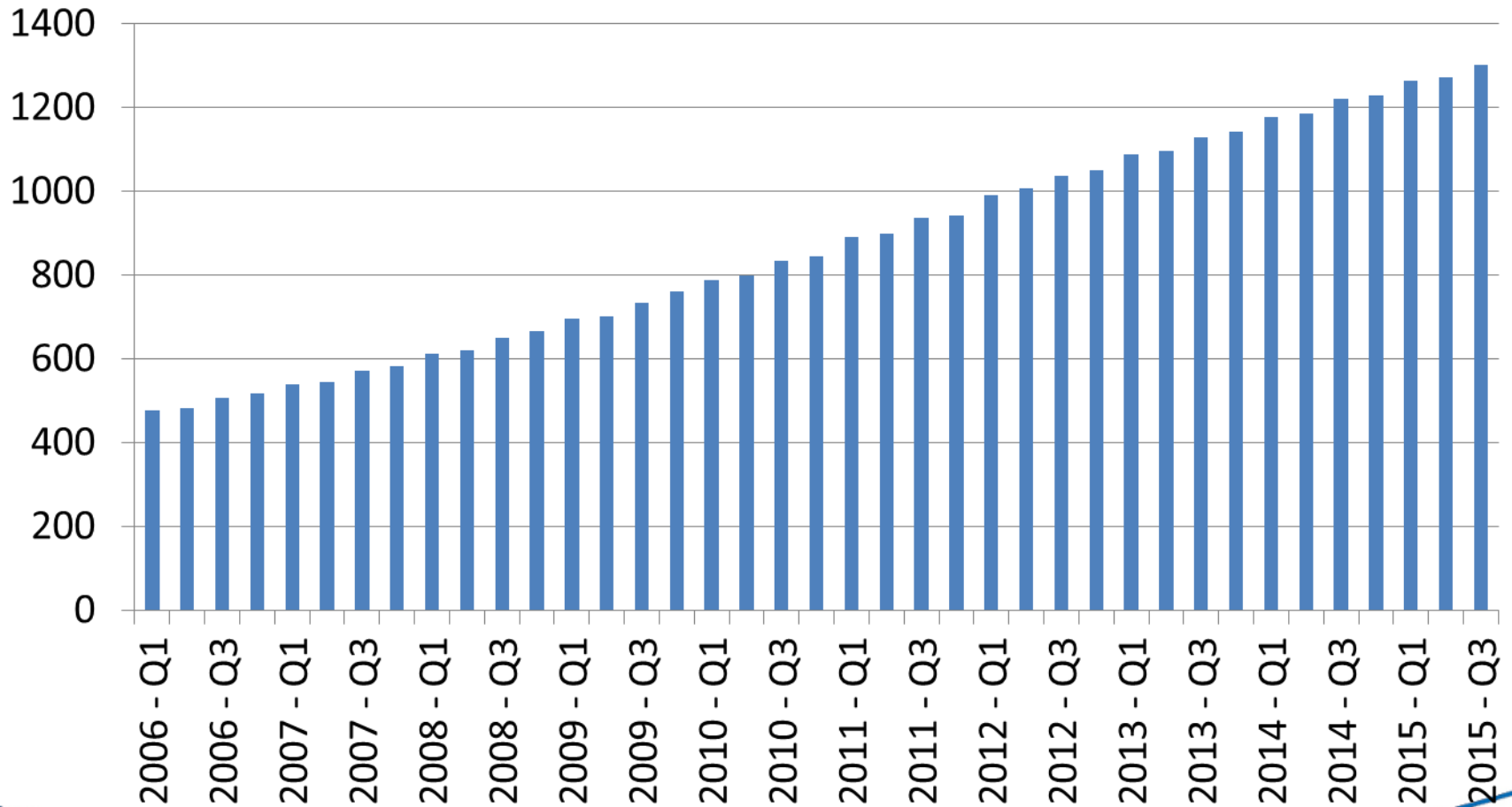


Difficulty Facing First-time Buyers –

- Student loan debt, even among successful first-time home buyers:
 - 41% have student loan debt and typical amount is \$25,000
- No affordable inventory:
 - 51% hardest task is finding the right property
- Competition from vacation buyers and investors
 - Buying similar priced/size homes and paying all cash

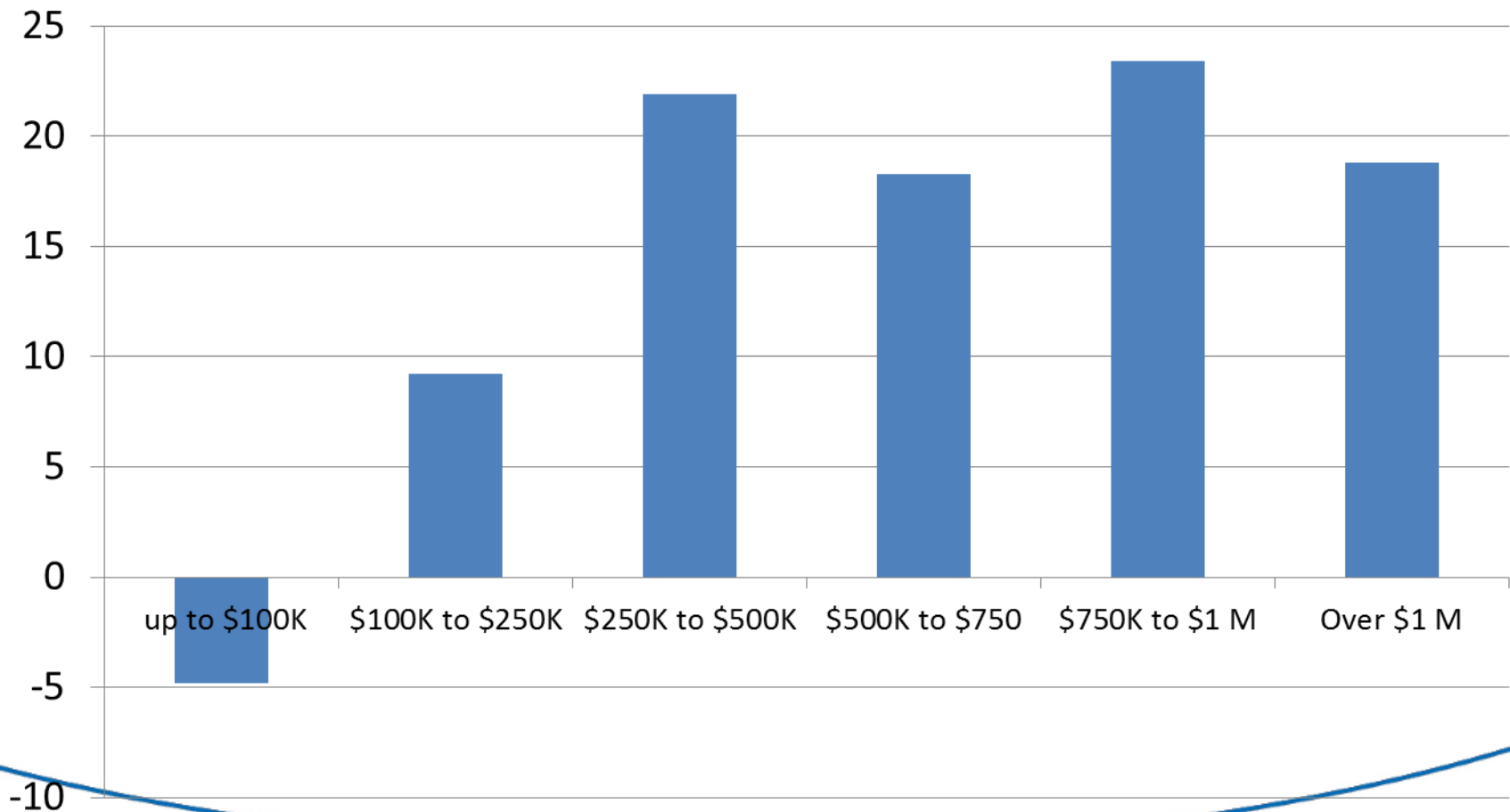
Student Loan

(in \$billion)



Sales Change by Price Points

(% change from one year ago in September)



H.O.M.E. Survey

(Housing Opportunity and Market Experience)

- Desire to own remains strong and is strengthening:
 - 87 percent of Americans believe homeownership is part of their personal American Dream
 - HIGHER for 18-24 year olds at 91 percent

H.O.M.E. Survey

(Housing Opportunity and Market Experience)

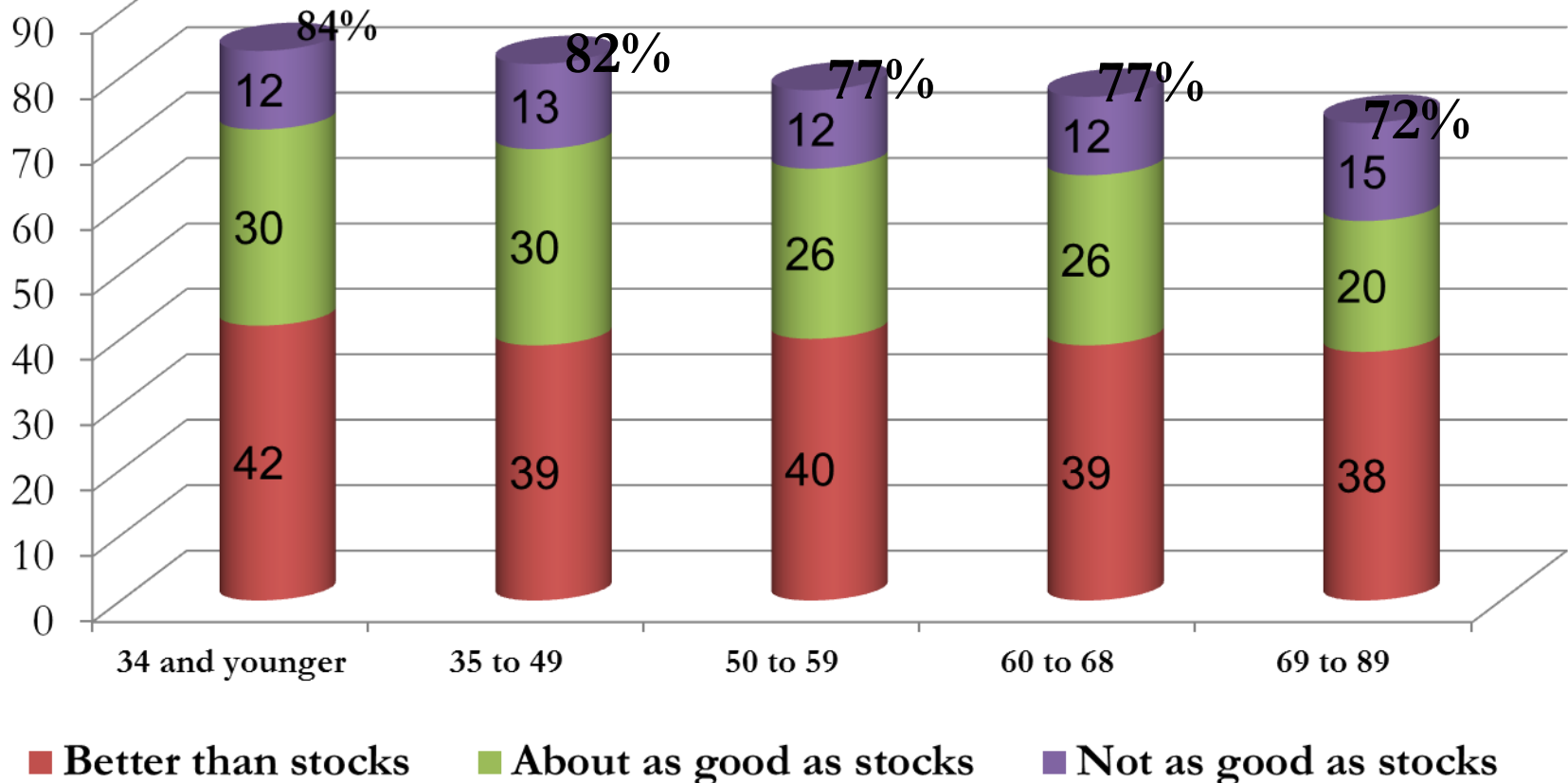
- Psychological reasons, but also financial
 - Americans want to own for a place to raise a family and own a place of their own, but also a nest egg for retirement
 - Recent buyers bought for to start a family but also because owning is cheaper than renting

H.O.M.E. Survey

(Housing Opportunity and Market Experience)

83 percent of Americans
believe buying is a good
financial decision

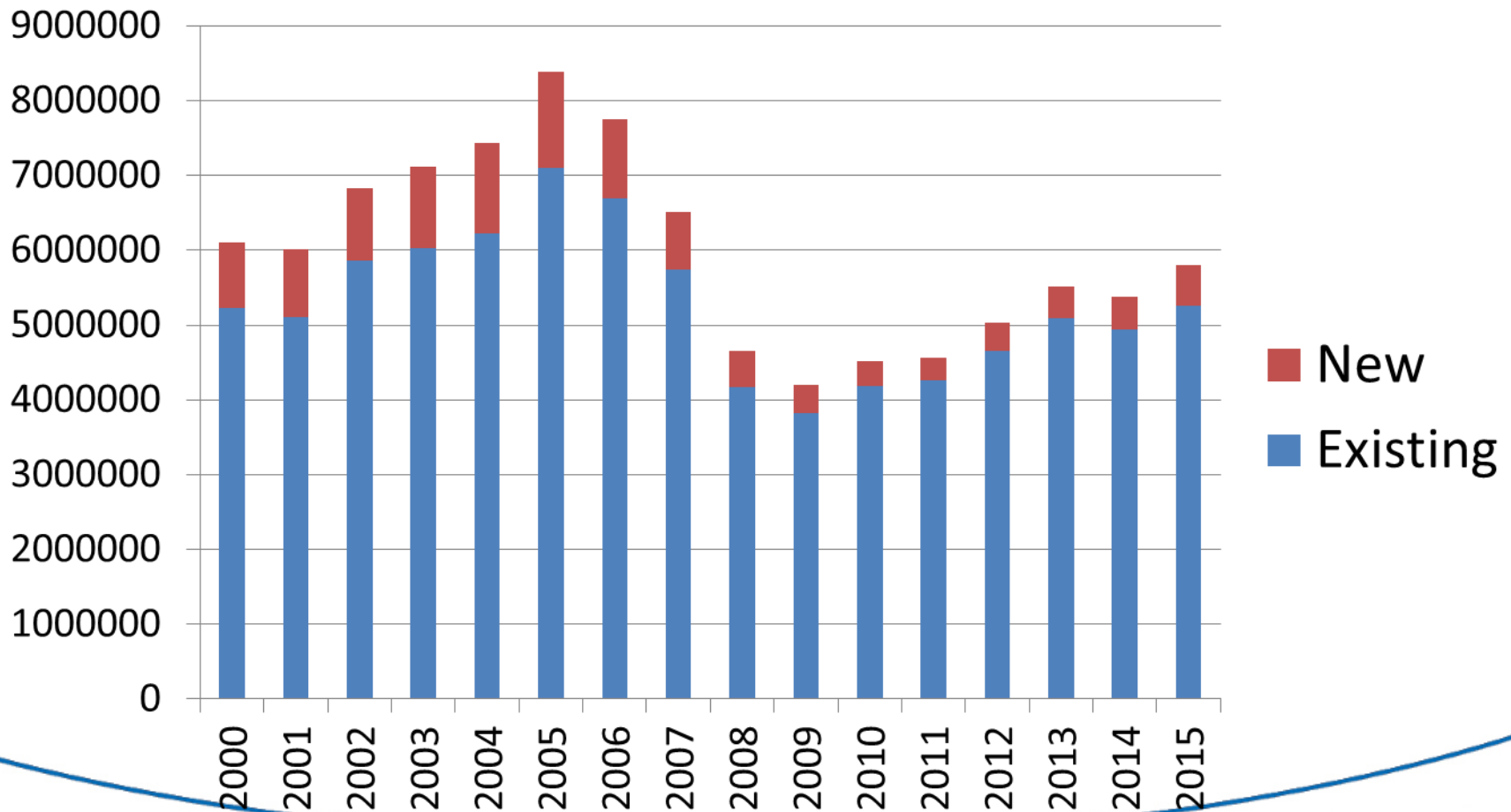
Younger Buyers Have Optimism—View Home as Good Financial Investment



Homeownership Rate Fall Further ... why?

	Net New Renters In thousands	Net New Homeowners In thousands	Homeownership Rate only among the New People
2008	482	-67	0%
2009	713	-90	0%
2010	771	-194	0%
2011	974	-421	0%
2012	1120	-193	0%
2013	599	55.5	9%
2014	1112	-89	0%
2015 forecast	800	200	30%
2016 forecast	600	600	50%
2017 forecast	500	700	58%

Even with Falling ownership rate, Home Sales to Rise Further



Housing Forecast made in November 2014

	2015 Forecast (made one year ago)	2015 Likely
Housing Starts	1.3 million Was Too high	1.1 million
New Home Sales	620,000 Was Little high	570,000
Existing Home Sales	5.3 million Was Right On	5.3 million
Median Price Growth	+ 4% Was Too Low	+ 6%

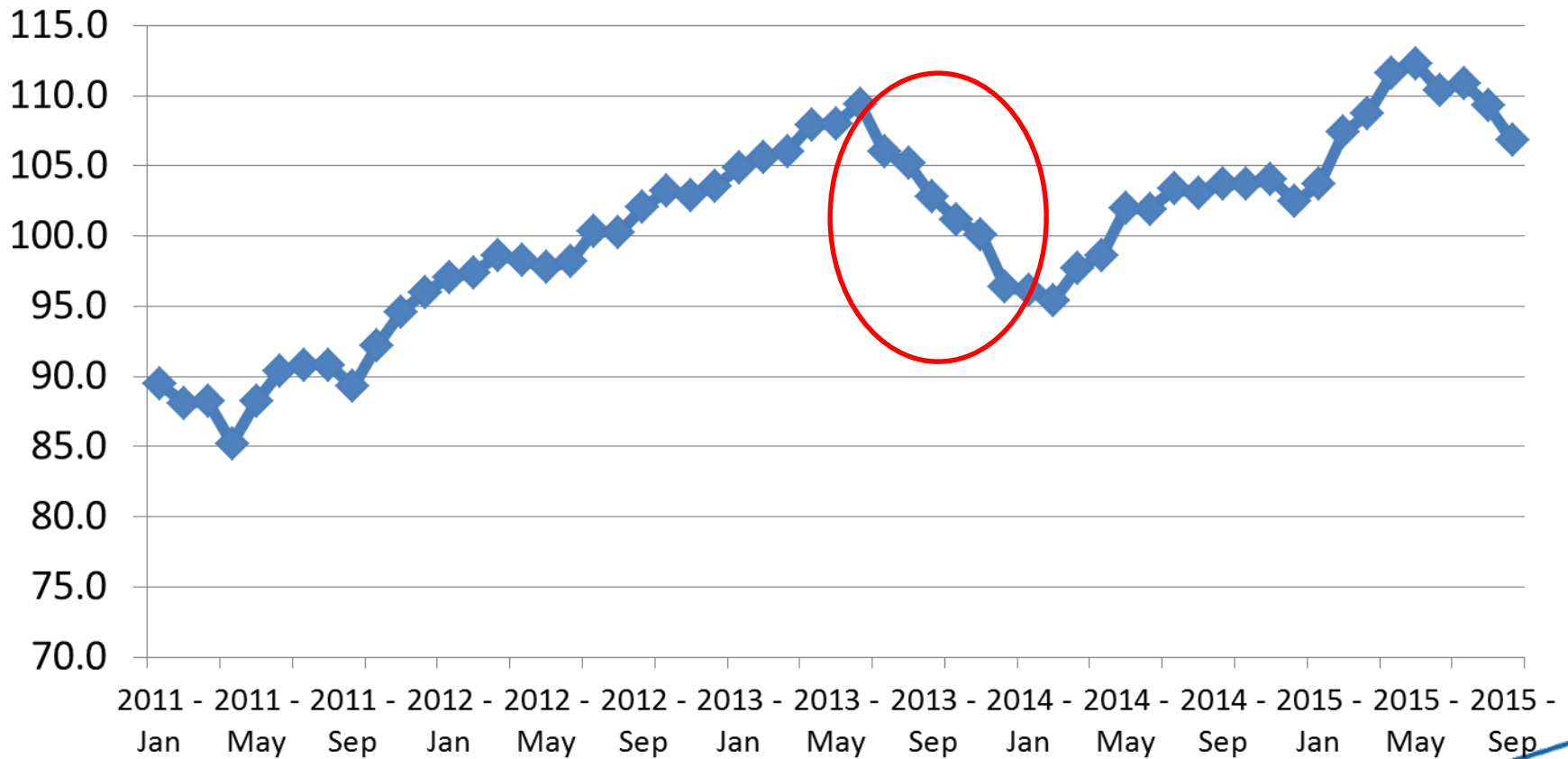
Housing Forecast Good for 2016

	2013	2014	2015 Likely	2016 Forecast
Housing Starts	925,000	1 million	1.1 million	1.4 million
New Home Sales	430,000	437,000	570,000	720,000
Existing Home Sales	5.1 million	4.9 million	5.3 million	5.4 to 5.5 million
Median Price Growth	+ 11.5%	+ 5.7%	+ 6%	+5%
30-year Rate	4.0%	4.2%	3.8%	4.5%

Monthly Pending Sales Index

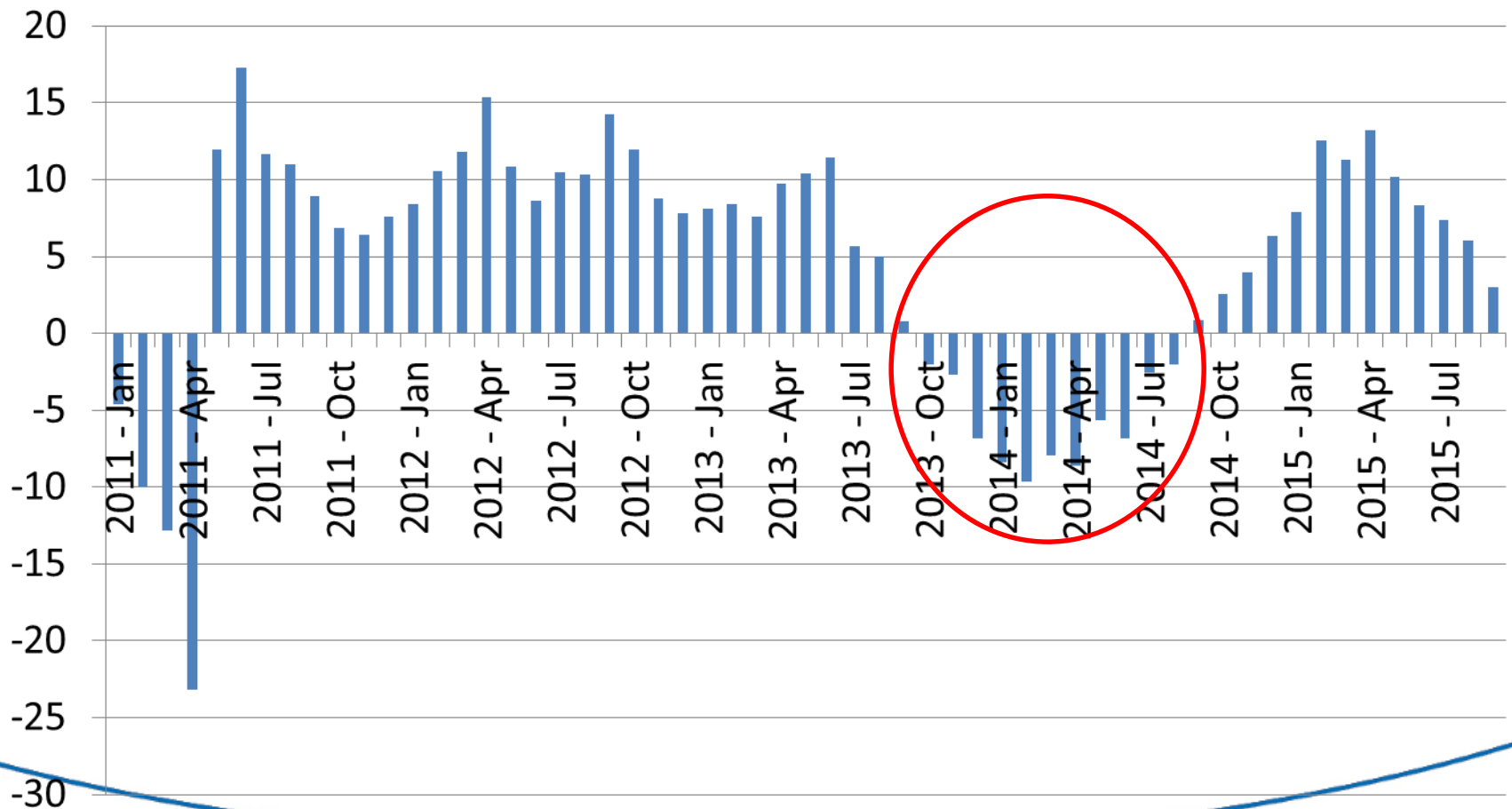
Losing Momentum

(Seasonally Adjusted)

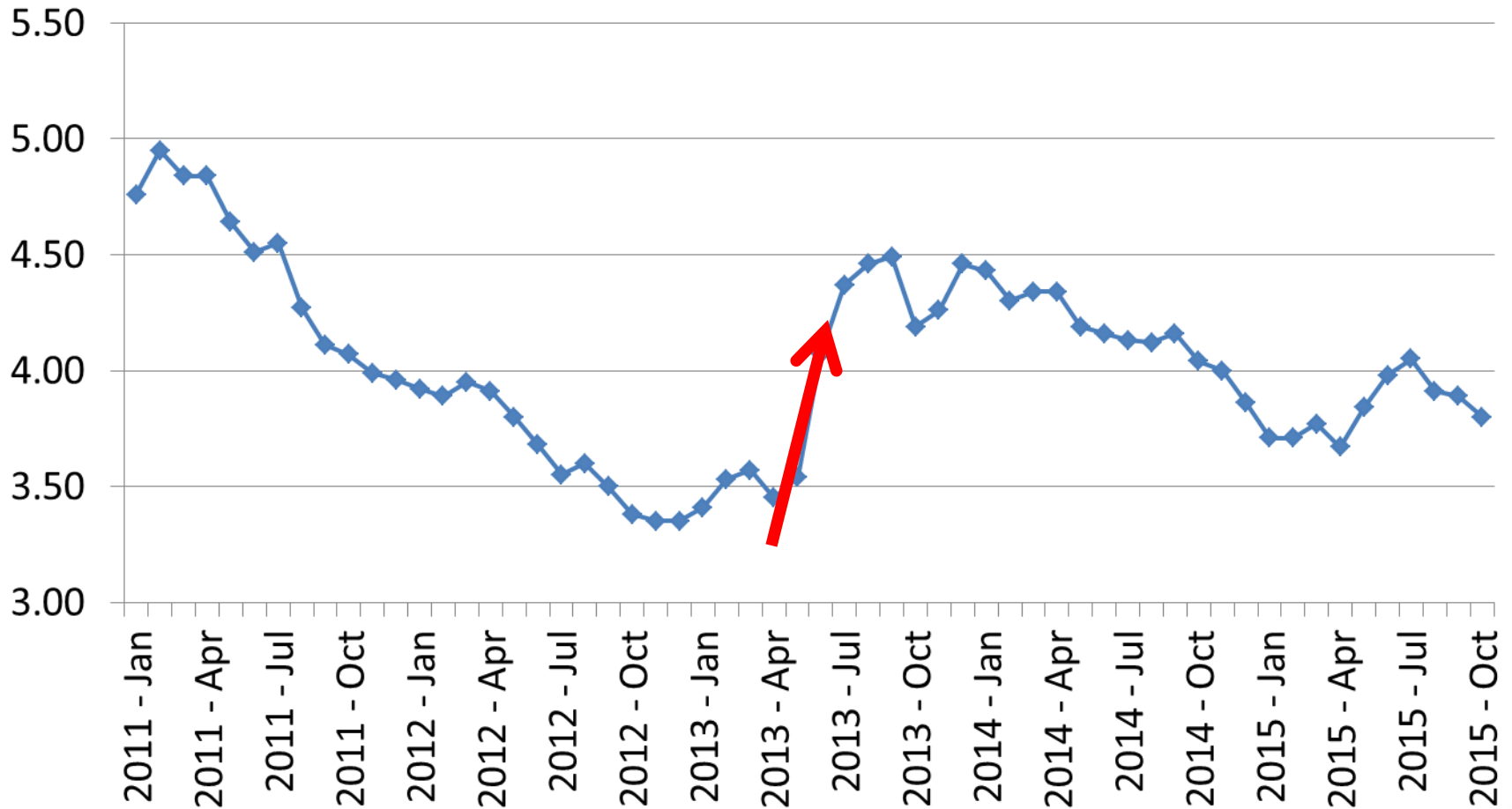


Source: NAR

Momentum in Pending Contract (% change from one year ago)



Trigger? Jump in Mortgage Rate

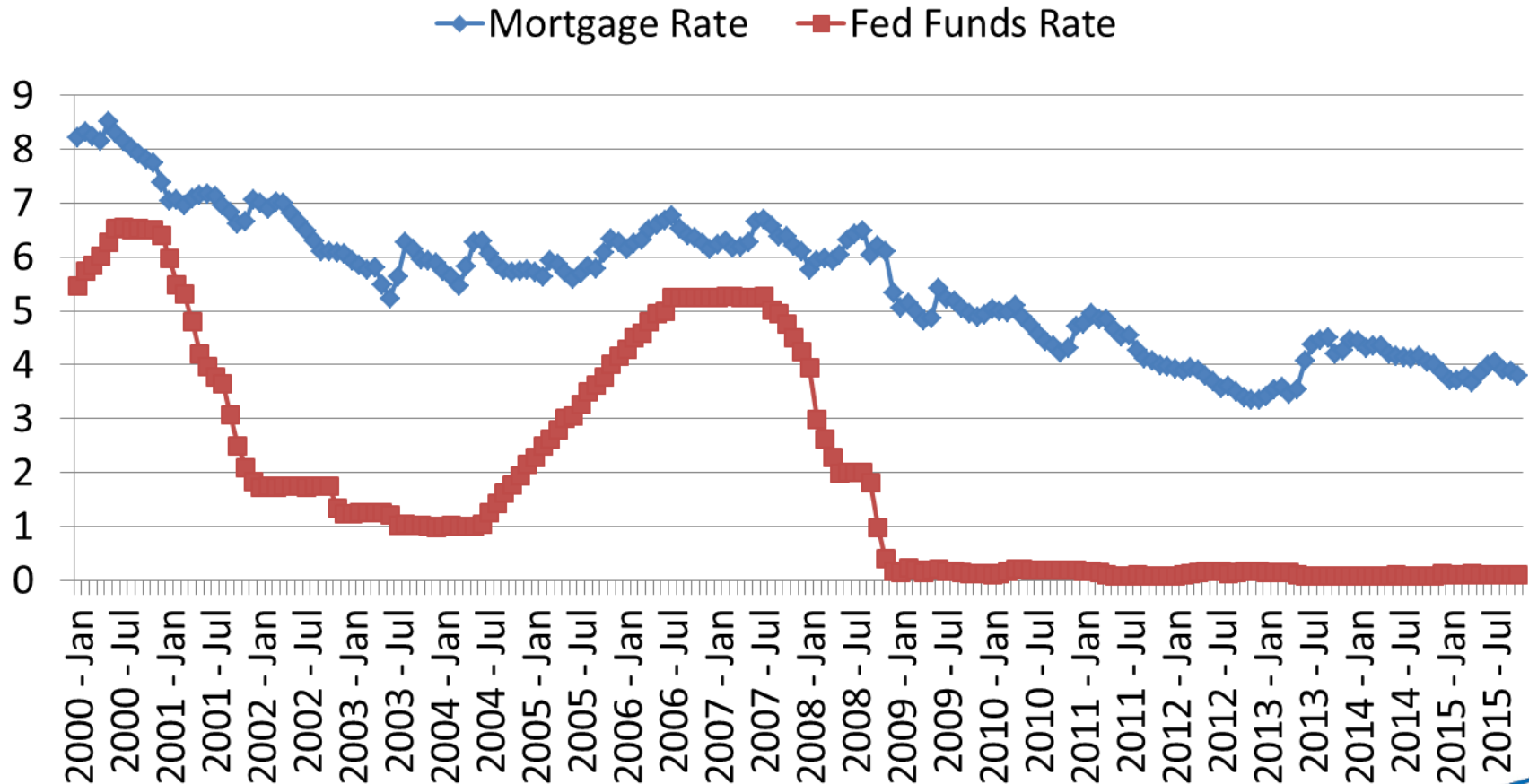


Fed Rate Hike in December?

Fed Rate Hike in December
then again in March

Fed Rate Hike in December
then again in March
then again in August
then again in ...

Fed Policy and Mortgage Rate

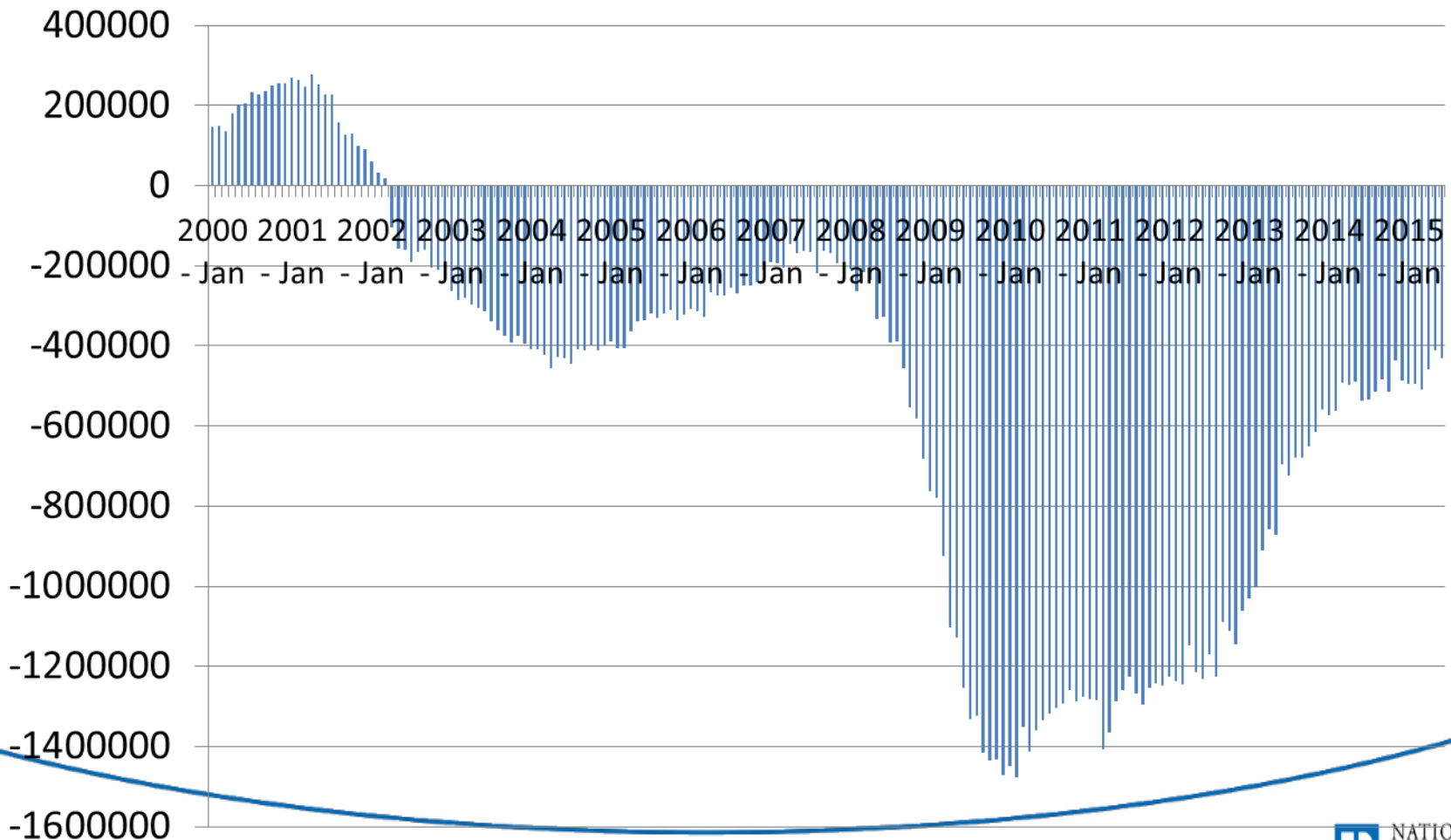


What Determines Bond Yields?

- Federal Reserve's short-term rate changes
- Inflation and erosion of purchasing power
- Foreign capital flow and demand for dollar
- Savings rate
- U.S. budget deficit
- Printing of money
- ...

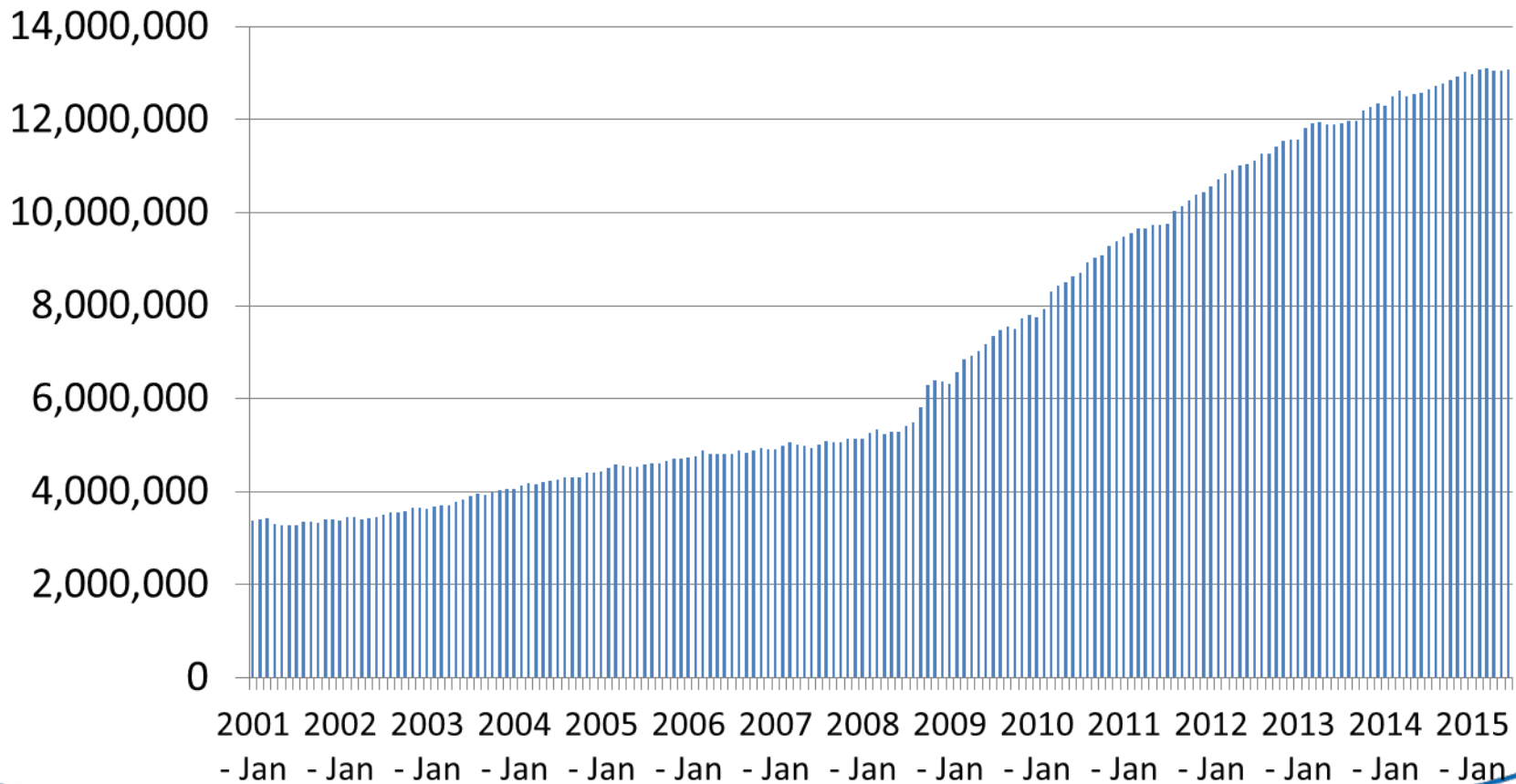
Federal Deficit - Shrinking

(\$ million, 12 month total)

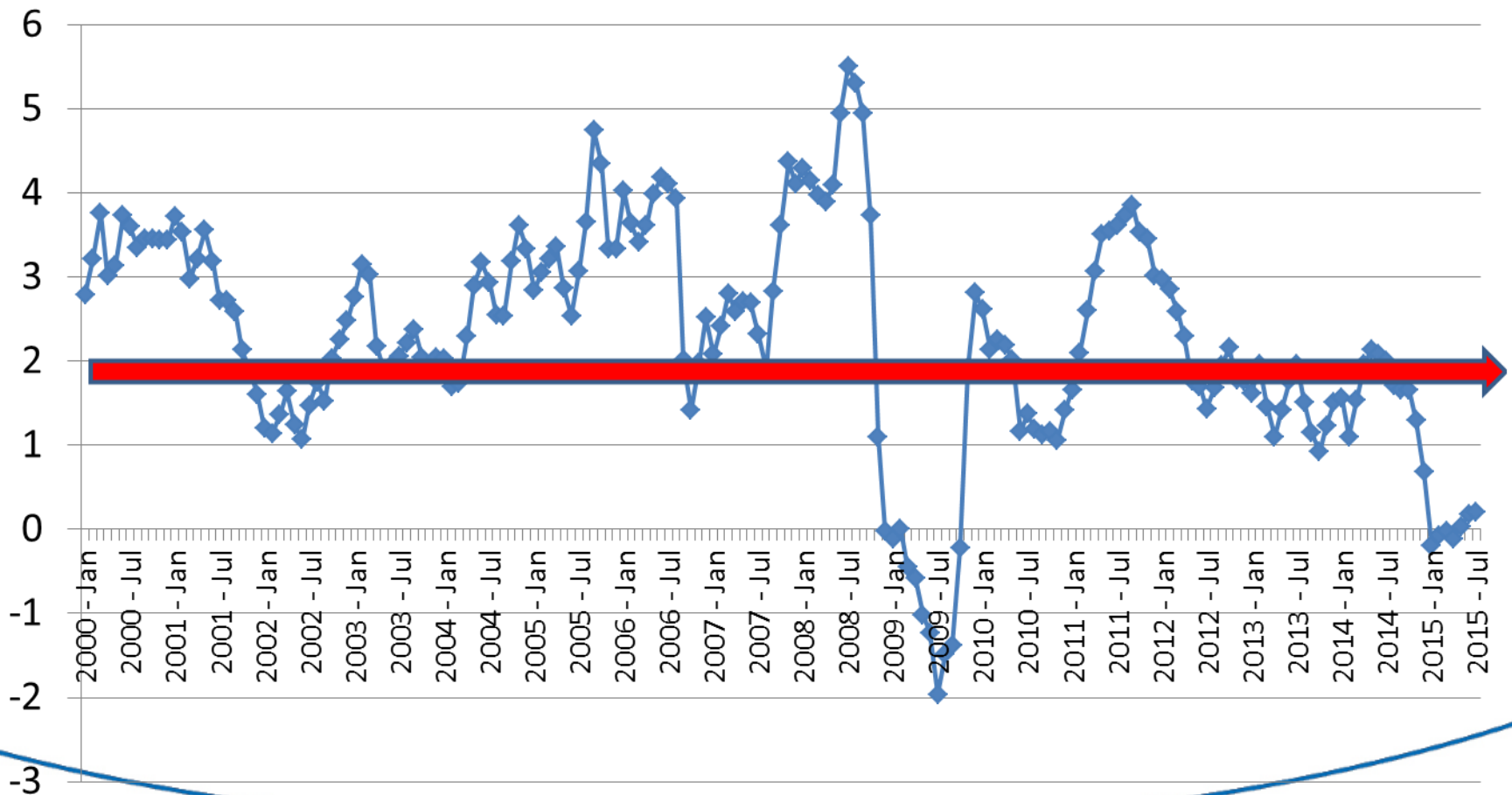


Federal Debt ... Cumulative

(\$ million; debt held by public excluding intra-governmental holdings)

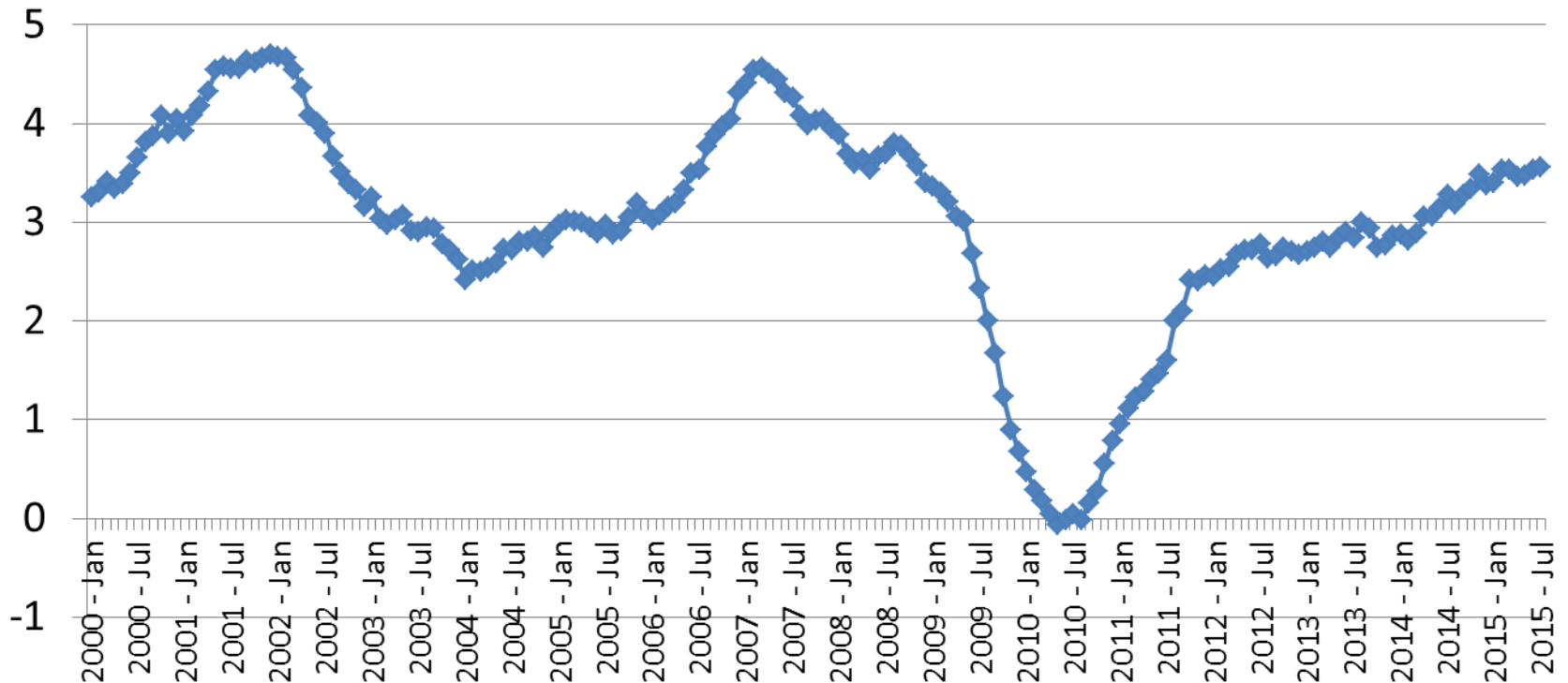


No CPI Inflation – Yet



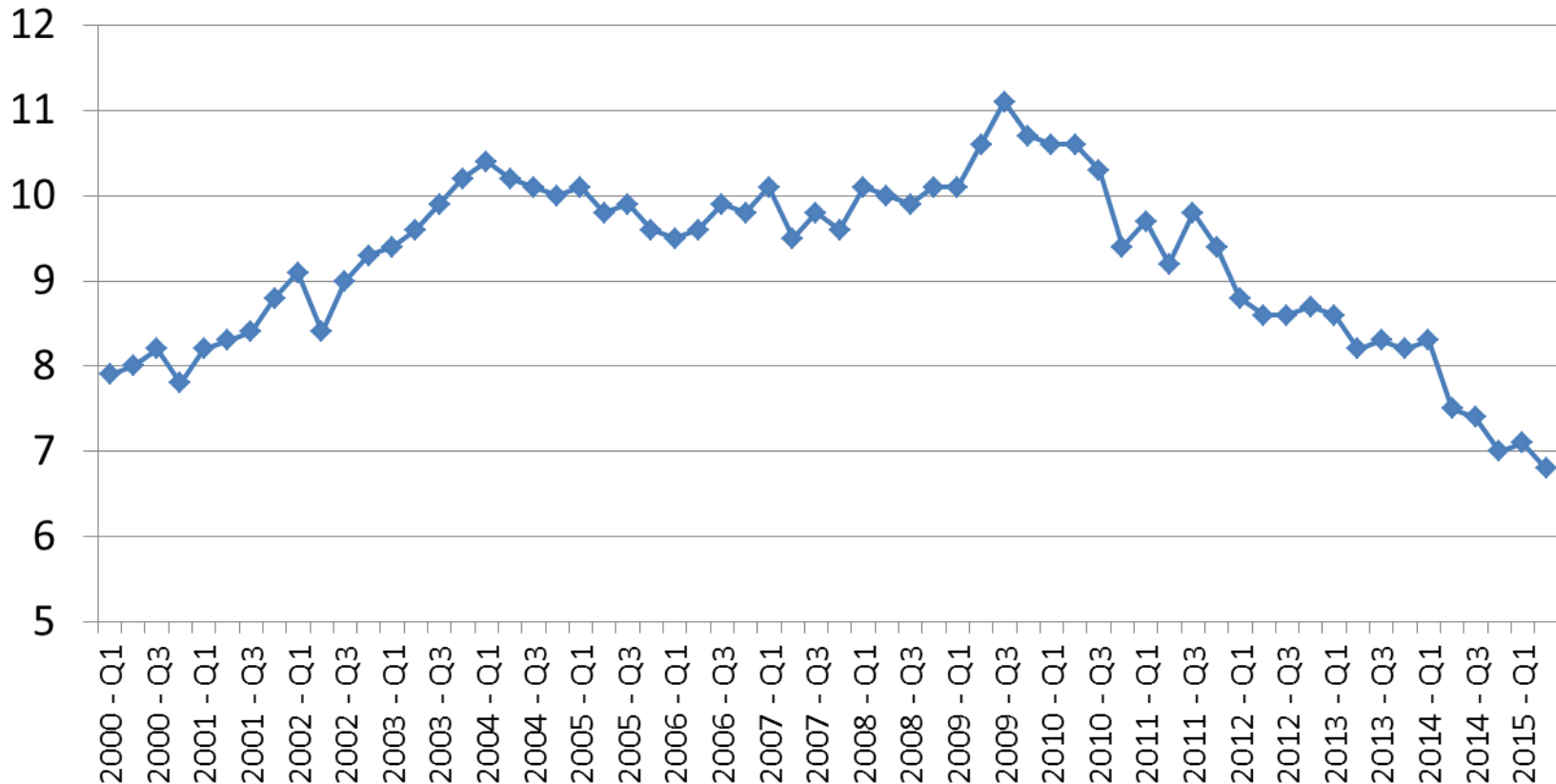
Rents Rising at 7-year high

Renters' Rent



Rental Vacancy Rate

(30-year low)



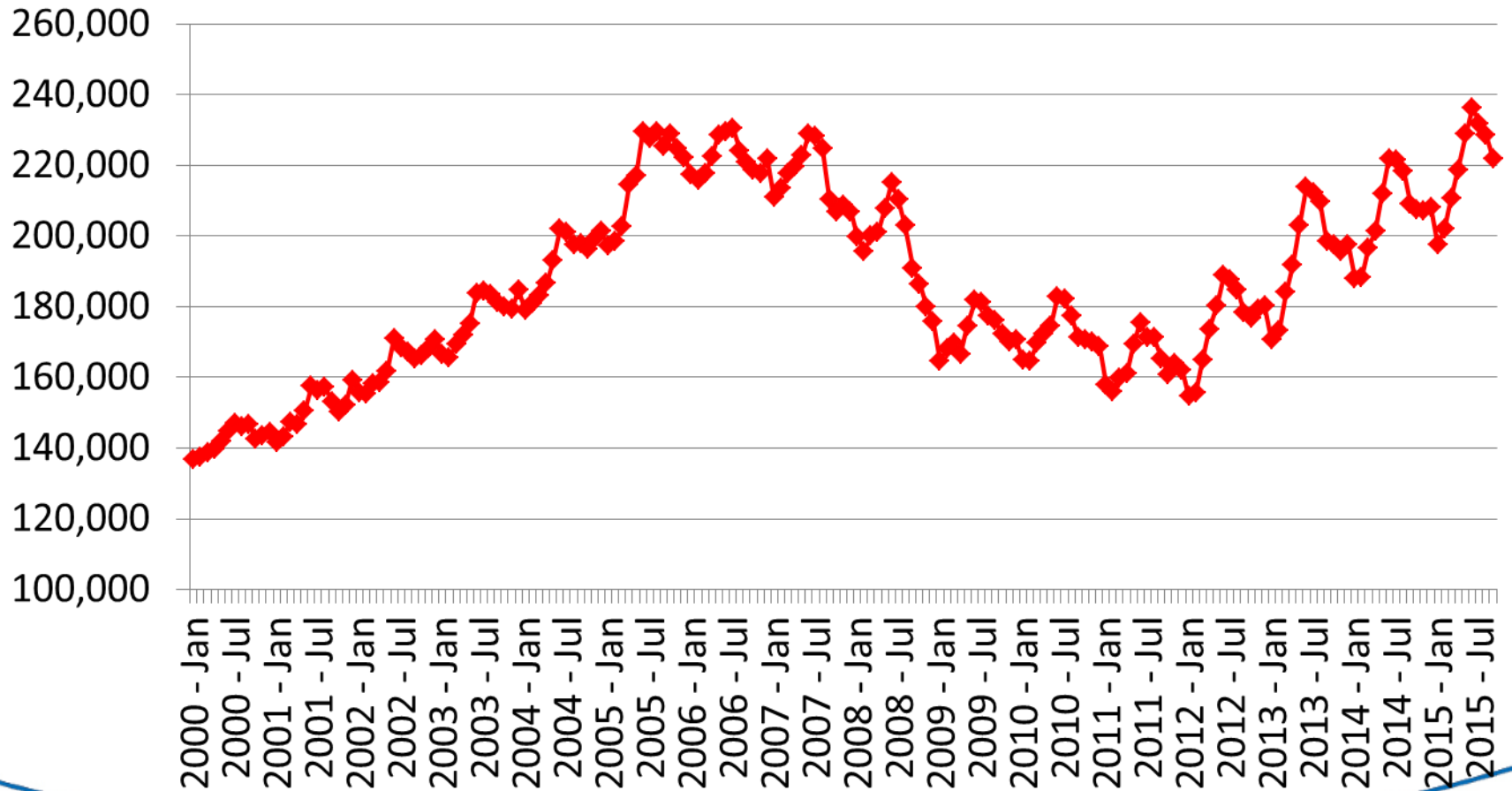
Credit Box Opens?

- FICO New Method
- Fannie/Freddie
 - Lower down payment products
- FHA premiums ... lowered
- Portfolio Lending ... historic low mortgage default rates on recent vintages (2010-2014)

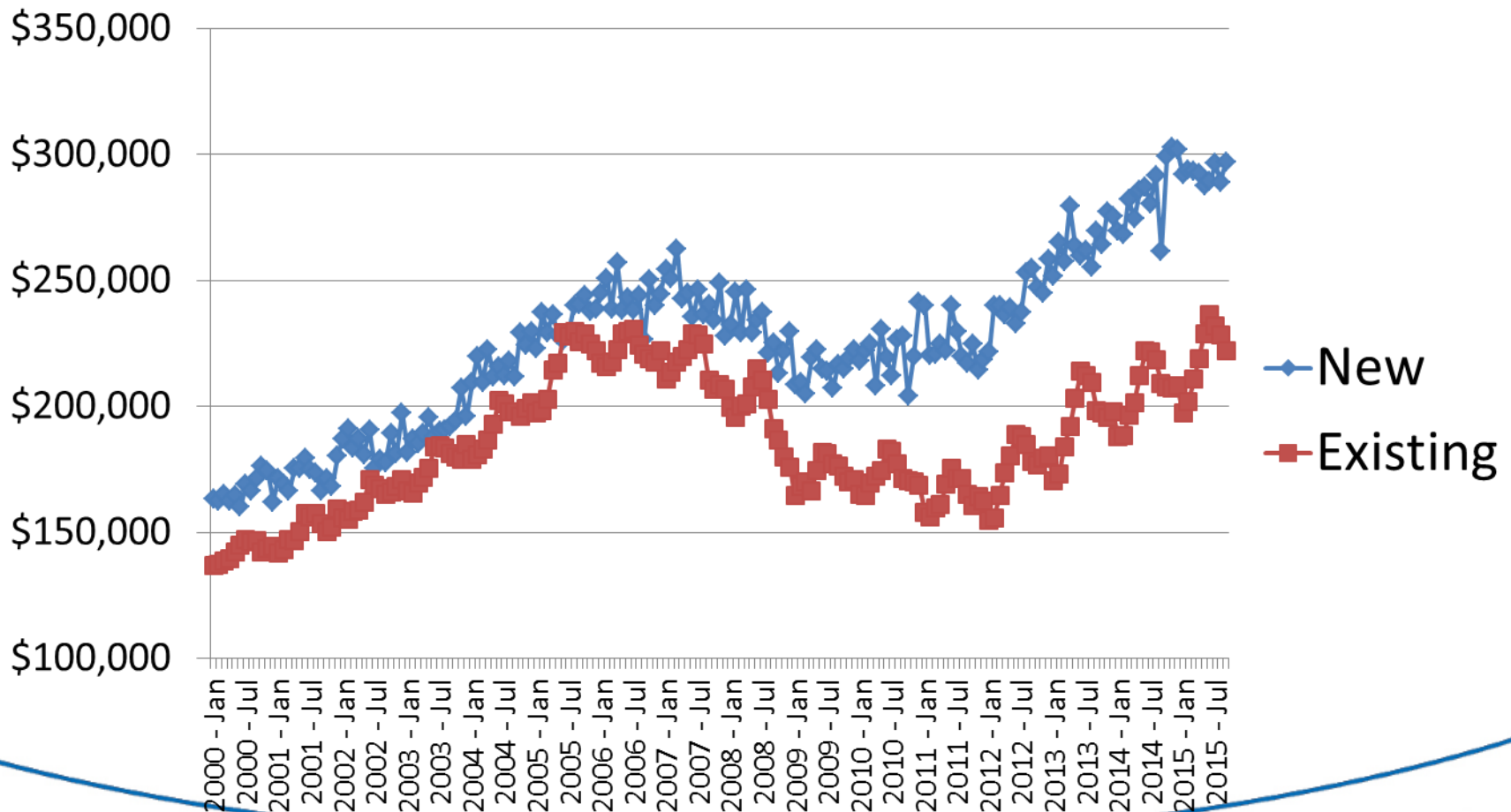
Fannie/Freddie G-fees for Highways?

Rising Home Price is becoming Obstacle

(Median National Existing Home Price)

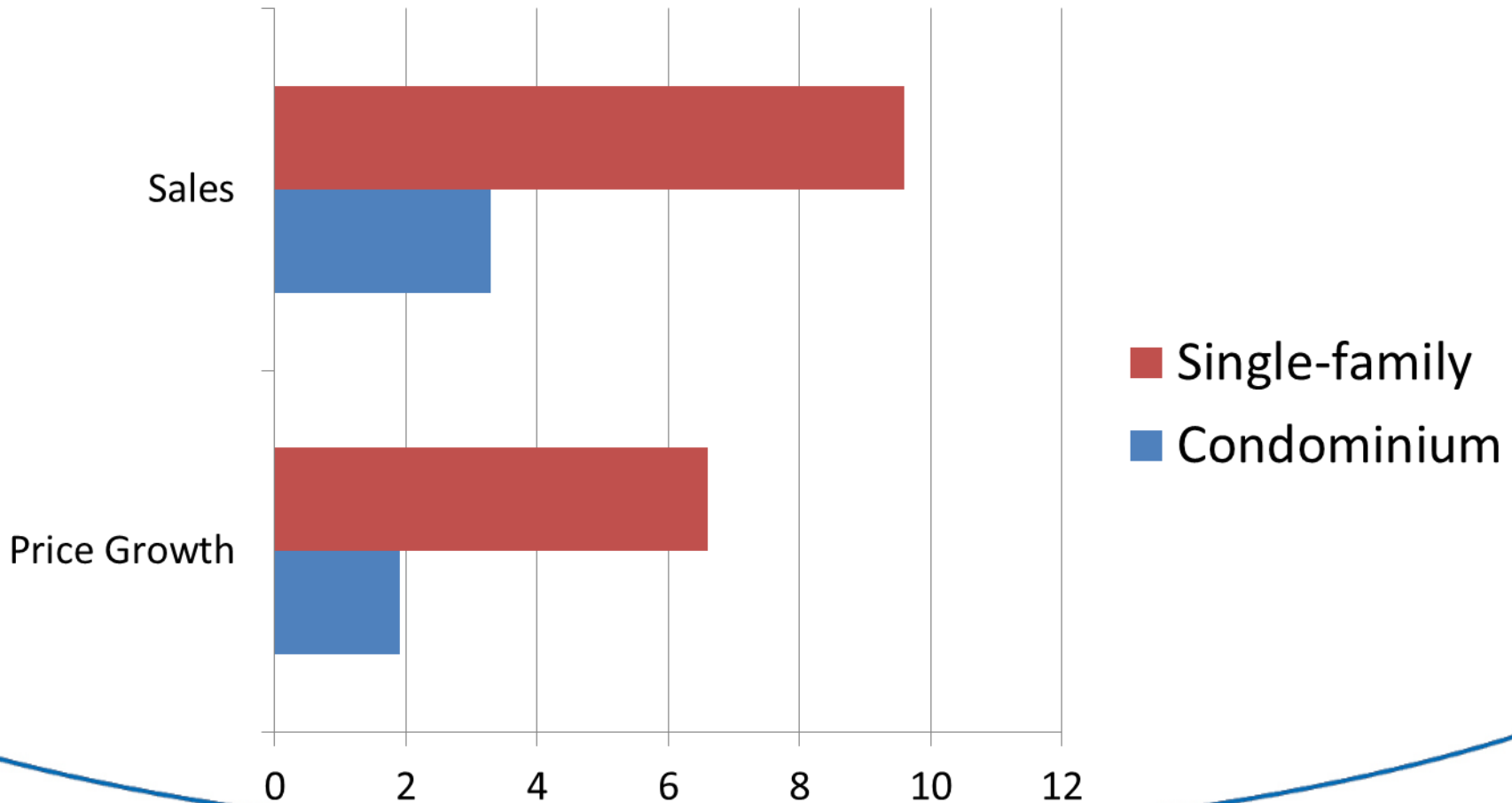


New Home Price ... Even Higher



Condos Underperforming

(% change from 12 months ago in September)



Affordability Solution ... Tiny Home Movement?



Tiny Home Movement?



Less than 1% of all homes
sold ...
perhaps much less than
1%

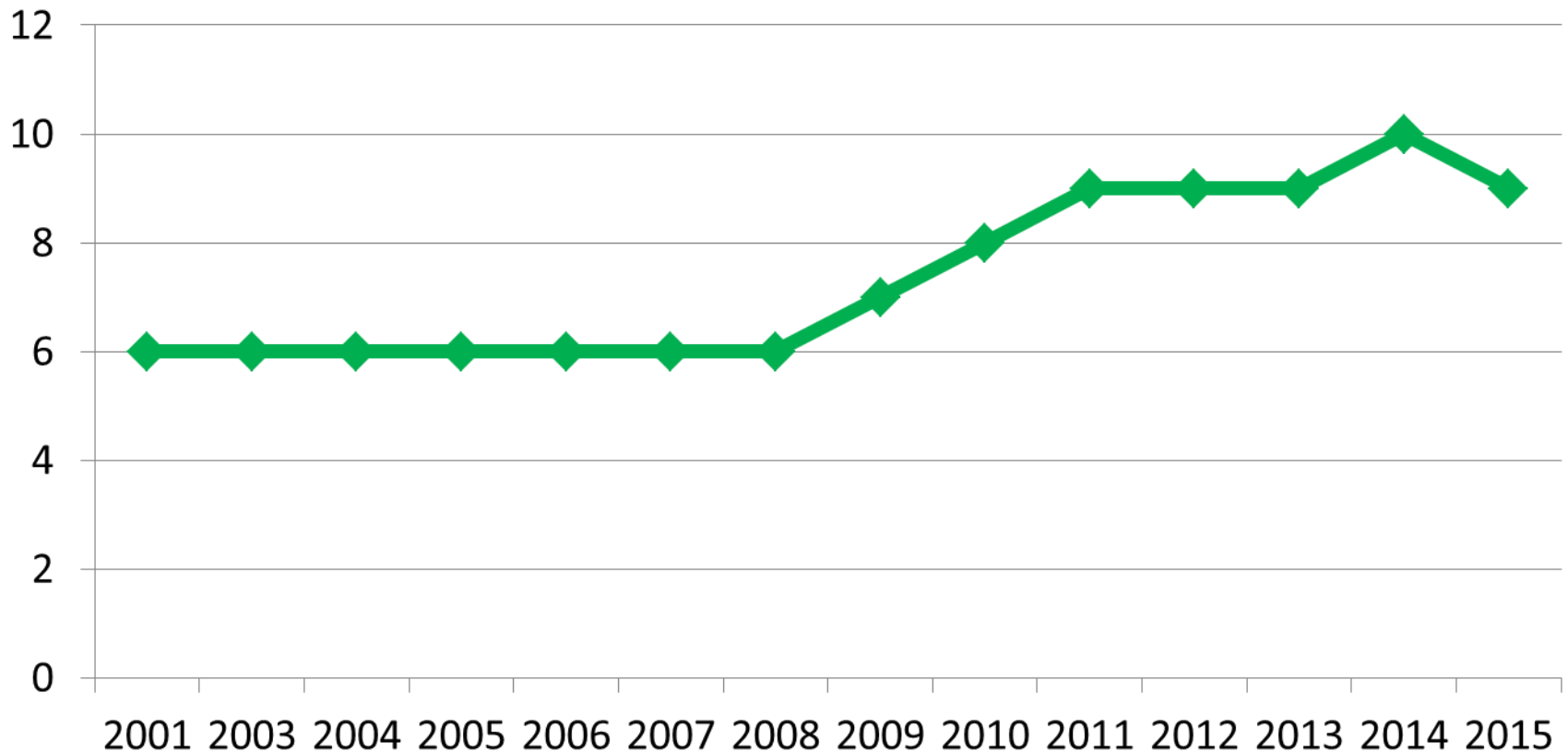
Real Solution to Affordability ...

More Supply

- More Supply
 - Existing Homeowners List Homes
 - Shadow Inventory of Distressed Homes
 - Newly Constructed Homes
 - More Rental Housing ... Can be converted to Condominiums Later

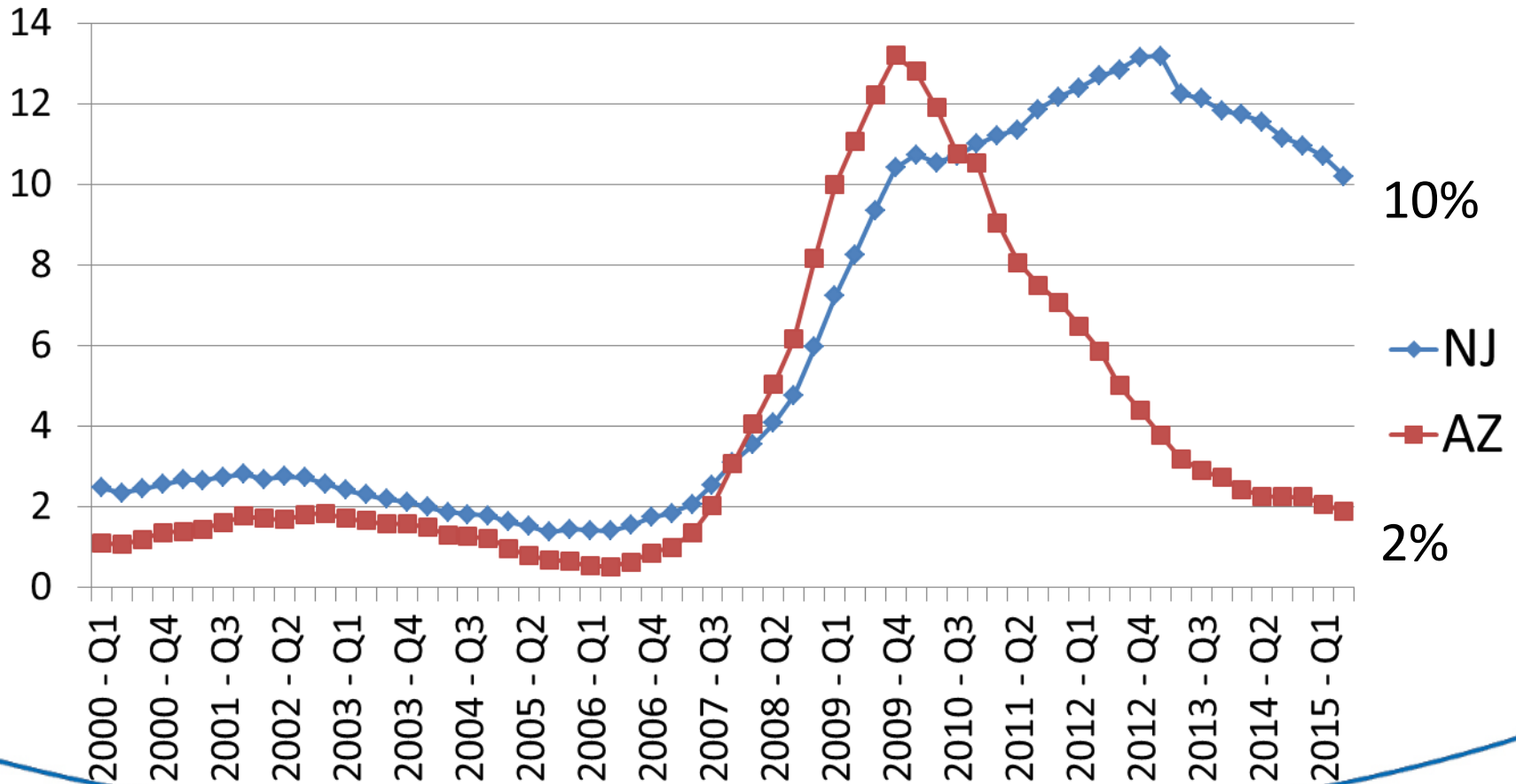
Pent-Up Home Sellers

Median Years of Tenure Before Moving



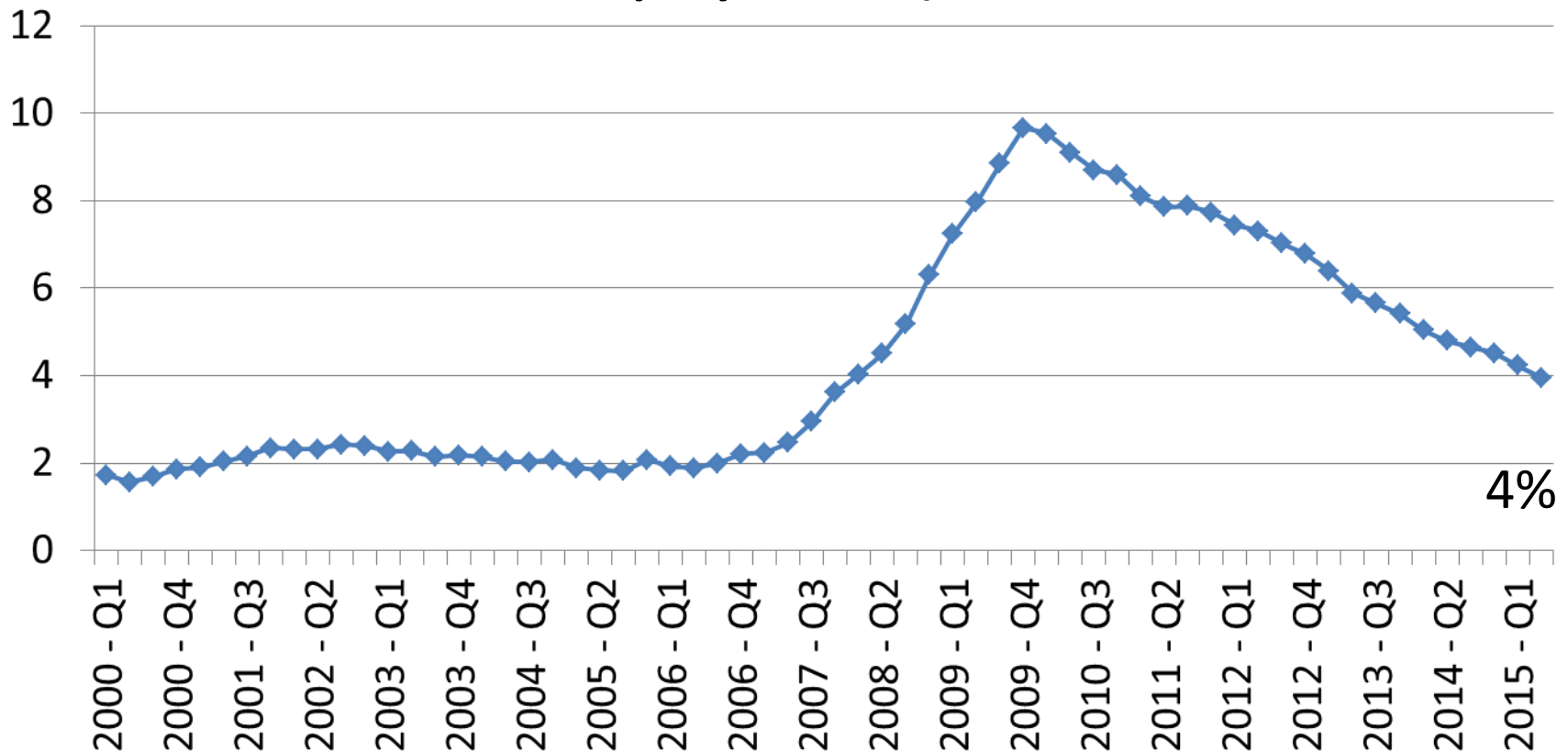
Shadow Inventory

(% of mortgages in foreclosure or late payment)



National Shadow Inventory

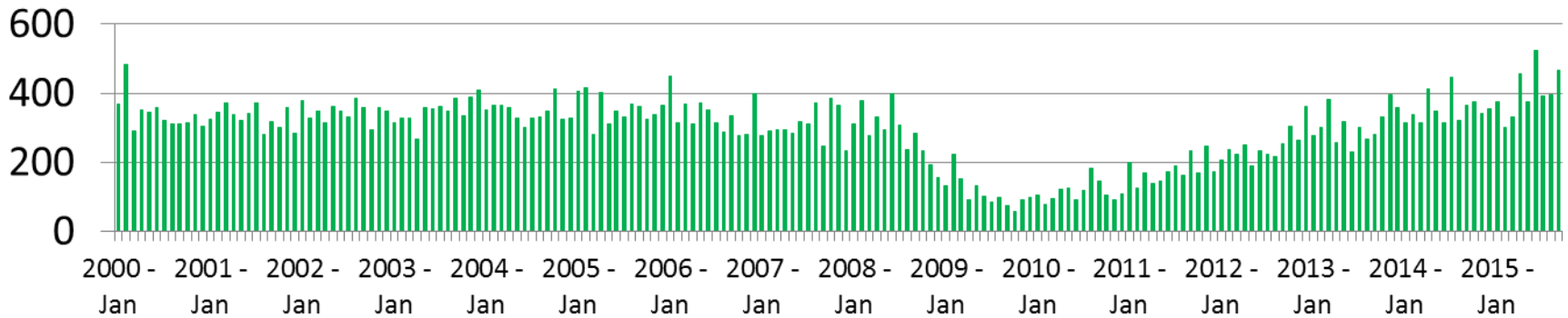
(% of mortgages in foreclosure or late payment)



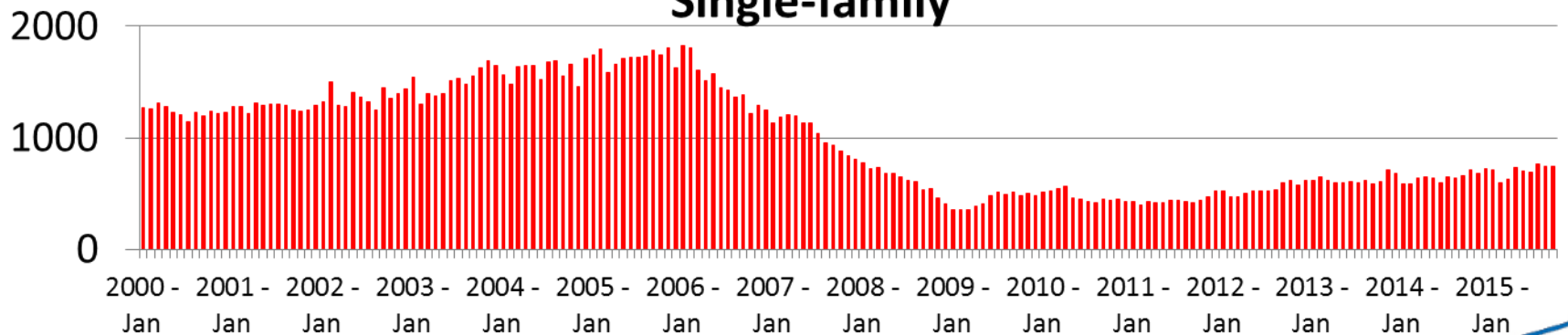
Housing Starts

Thousand units

Multifamily



Single-family



Massive Housing Shortage

(from 2012 to 2015)

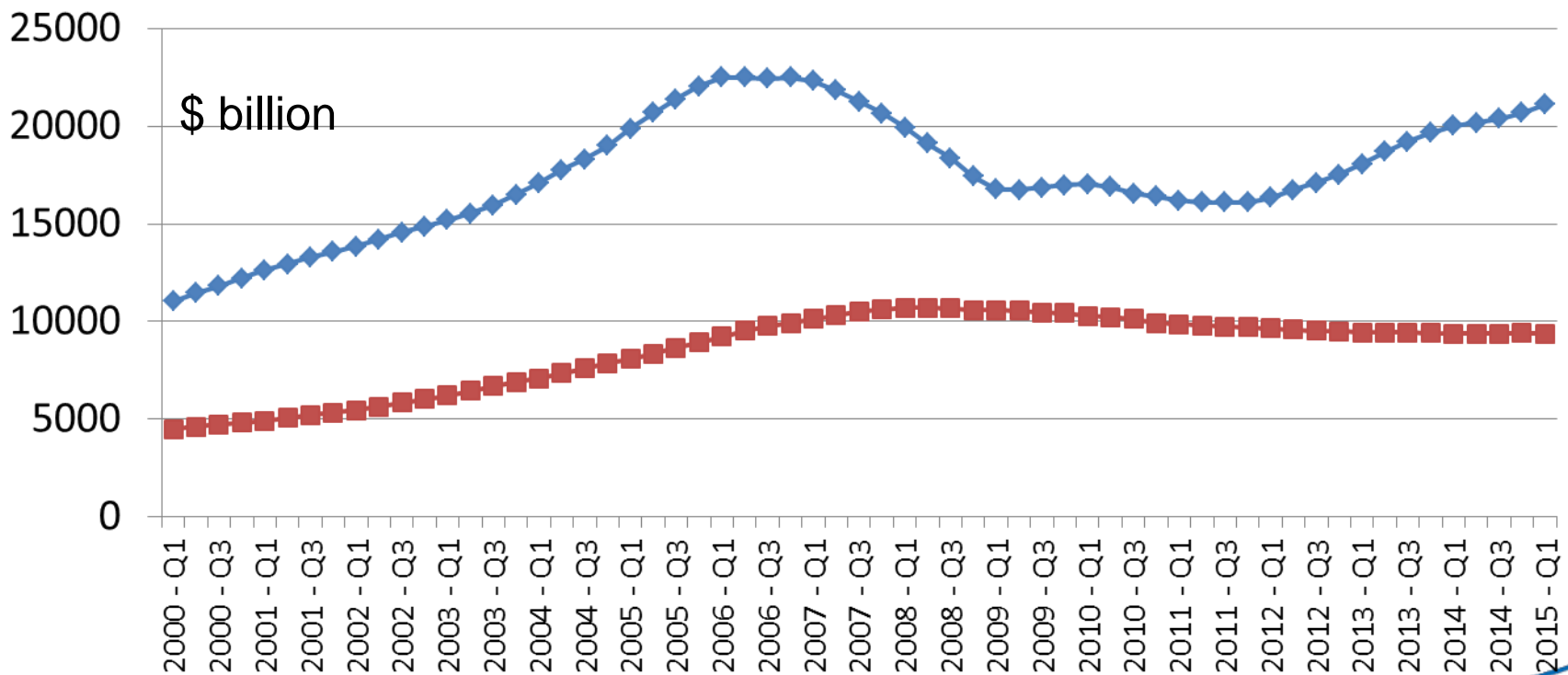
Metro	Job Creation	New Home Construction	Ratio
San Francisco-Oakland	234,000	30,000	7.8
Grand Rapids	46,000	6,000	7.8
San Jose	118,000	23,000	5.1
San Diego	101,000	21,000	4.9
Miami-Ft. Lauderdale	191,000	48,000	3.9
Salt Lake City	57,000	15,000	3.9
New York City	400,000	114,000	3.5

Why Would Home Sales Rise?

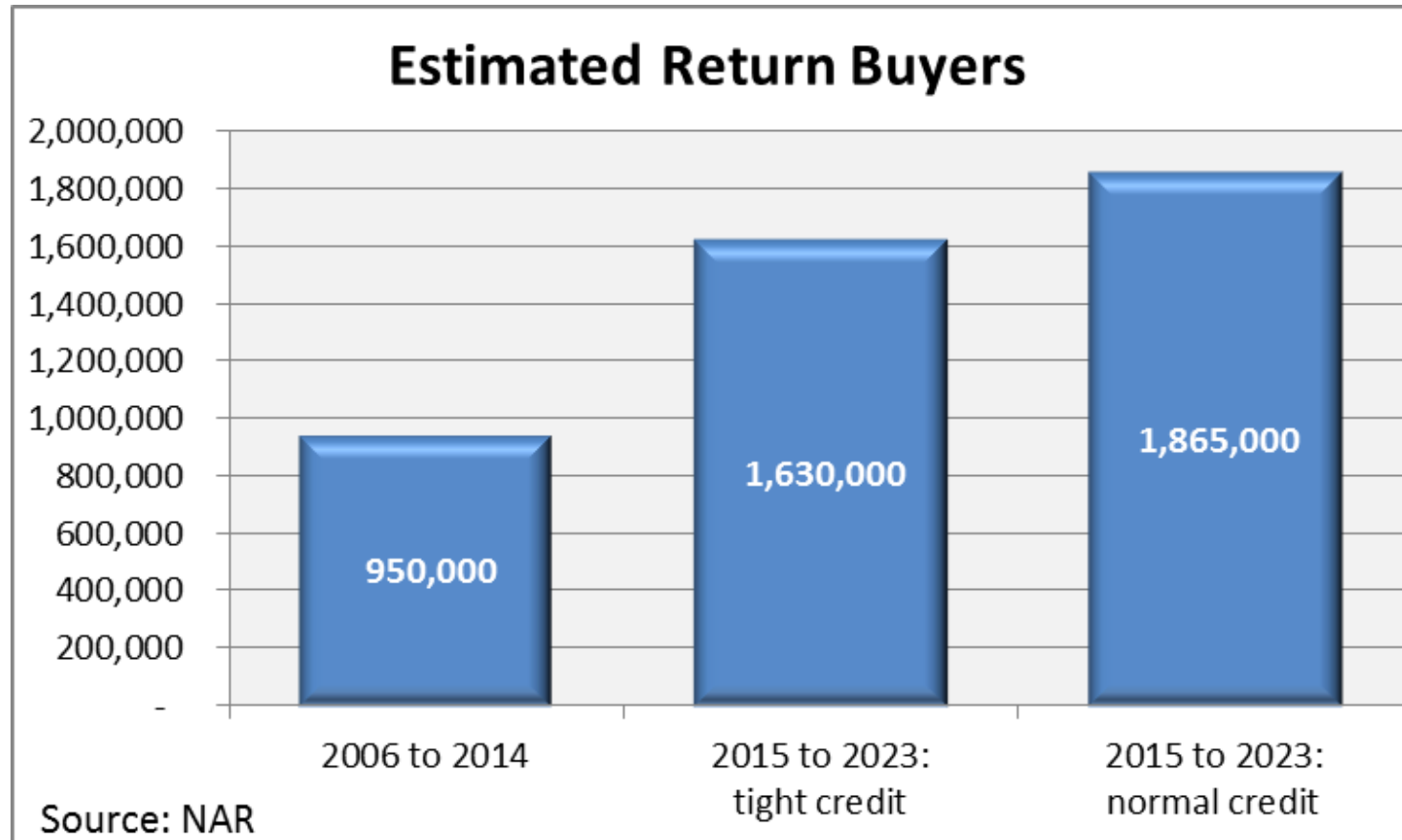
- Rising Mortgage Rates – Not Good
- Too Fast Rising Prices – Not Good
- Housing Equity for Pent-up Sellers – Good
- Return Boomerang Buyers - Good
- Steadily increased supply - Good
- Job creation – Super Good

Trade-Up Opportunities from Housing Equity

— Real Estate Value — Mortgage Debt



Return Buyers



Time to Sell a New Spec Home

(in months)

